dno asa | annual report 2001

this is dno

- DNO is an international petroleum company with headquarters in Oslo, Norway
- The company's activities include development and operation of small petroleum fields, and extended production and increased recovery from mature petroleum fields in:
  - Norway
  - UK
  - Yemen
- DNO is now operational in all upstream phases, from collection of seismic data and drilling to field development and production
- DNO's expertise and organisational structure is based on a flexible and project-oriented network model
- DNO's total operating revenues in 2001 were NOK 1.2 billion. At year end 2001/2002, the company had 121 employees
- The company is listed on the Oslo Stock Exchange under the ticker DNO

group structure

DNO ASA

- DNO Britain Ltd
- DNO International Ltd
- Det Norske Oljeselskap AS
- Offshore & Services

The demerger of "Offshore & Services" is planned, with effect from 1 January 2002.

licence portfolio

UK

Licence	Interest	Operator
Heather	100.00%	DNO
West Heather	100.00%	DNO
P.250	100.00%	DNO
Solan	3.70%	Amerada Hess

Norway

Licence	Interest	Operator
Jotun	3.25%	Exxon/Mobil
Glitne	10.00%	Statoil
PL 203	15.00%	Norsk Hydro
Tyr	10.00%	Amerada Hess
PL 148	30.00%	Amerada Hess

Yemen

Licence	Interest	Operator
Tasour1	38.95%	DNO
Sharyoof2	24.45%	Dove E.

1) Block 32: "Cost Oil" is 41 per cent and "Profit Oil" is 38.95 per cent. According to the production sharing agreement, DNO's share of gross production before tax is 40.6 per cent, and with the current size of the field it will not fall below this level.

2) Block 53: "Cost Oil" is 32.5 per cent and "Profit Oil" is 24.45 per cent. According to the production sharing agreement, DNO's share of gross production before tax is initially 30.7 per cent, but will gradually fall towards 24.45 per cent as historical exploration and development costs are recaptured.

contents

highlights 2001

Increased ownership in block 32

In April 2001, DNO increased its interest in block 32 in Yemen by 9 per cent to 41 per cent.

Bond loan

In May, DNO further strengthened the company's financial flexibility by raising NOK 500 million in bond loans.

Increased oil production in Norway

Oil production from the Glitne field began in August. Production is scheduled to continue for approximately 30 months.

Sale of interest in the Claymore field

In September DNO Limited agreed to sell a 1 per cent licence interest in the Claymore field, UK, to Talisman Oil Trading Limited. The group's sales gain was NOK 40.3 million.

New licence in Yemen

In September, DNO was awarded a 75 per cent interest in Block 43 in Yemen and became operator of the licence.

Oil discovery in West Heather

Towards the end of the year DNO completed its successful drilling programme in the West Heather field, increasing the company's estimated proved and probable oil reserves by approximately 10 million barrels.

Operatorship on the Norwegian shelf

In November, DNO entered into an agreement to take over Conoco's 37.5 per cent interest in PL 103b, including operatorship of the licence. This increases DNO's interest in the Jotun Field by 3.75 per cent. The agreement, which takes effect on 1 January, 2002, requires approval from Norwegian authorities.

New field on stream in Yemen

Production from the Sharyoof Field began in December. This will significantly increase the company's oil production in Yemen from 2002.

Share redemption offer

In December, DNO decided to prepare an offer for voluntary redemption of shares to all shareholders with holdings valued at NOK 500 or less.

Demerger of Offshore & Services

DNO in December decided to consider a possible demerger of DNO's Offshore & Services activities into a new company with its own stock exchange listing.

in 2000 we said

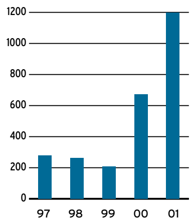
- DNO will triple its petroleum production from existing projects in the course of two to three years
- DNO will capitalise on the opportunities presented by market changes on the Norwegian and UK shelves
- DNO is well positioned for further growth

in 2001 we did

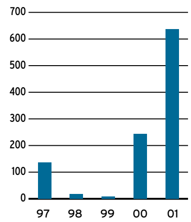
- DNO increased its petroleum production by 92 per cent
- DNO strengthened its diversified portfolio, with focus on the North Sea and Yemen
- Using its network, DNO grew into an oil company with experience and expertise in all upstream phases of petroleum production

in the future we will

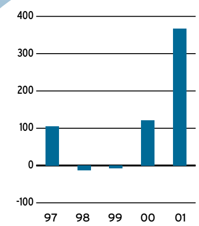
- Continue to grow and create additional value for our shareholders through increased petroleum production
- Use the company's operational expertise and international experience to become an attractive partner and strengthen our diversified portfolio of petroleum licences
- Focus on petroleum production and further develop our position as a leading international niche player engaged in production from small and mature petroleum fields



Operating revenues
NOK million



EBITDA
NOK million



Operating profit (loss)
NOK million

key figures (group)

NOK million

EXPLORATION AND PRODUCTION		2001	2000	1999	1998	1997
Annual production	mmbbl	4.8	2.5	1.1	0.9	0.9
Growth in proved and probable reserves	mmbbl	18.6	32.9	19.0	-	-
Exploration costs		9.7	22.4	7.5	2.3	0.0
Average daily production		13 255	6 920	3 014	2 363	2 575
Reserve replacement rate	x	3.9	13.2	17.3	-	-
Direct production costs	USD/bbl	10.8	13.9	15.3	15.3	8.6
PROFIT (LOSS)						
Total operating revenues		1 199	673	207	263	278
Operating profit (loss)		367	121	-8	-13	105
Annual profit		134	50	-26	1	92
EBITDA						
EBITDA		635	244	9	17	136
EBITDAX		645	266	17	19	136
EBITDA-margin	%	53.0	36.2	4.4	6.5	48.9
RETURN ON CAPITAL						
ROACE	%	13.2	7.7	-3.9	1.4	39.2
BALANCE SHEET FIGURES AND FINANCIAL RATIOS						
Total assets		2 353	1 597	914	798	658
Fixed asset investments		991	554	121	89	116
Fixed assets		2 006	1 254	751	633	291
Interest-bearing debt		651	250	140	127	48
Interest coverage ratio	x	11.5	14.5	1.1	2.4	38.7
Equity ratio	%	40.0	49.9	46.1	44.5	47.3
Interest-bearing debt/capital employed	%	40.9	23.9	25.0	26.4	13.3
Current ratio	x	1.09	1.05	1.06	1.10	3.47
SHARE-RELATED DATA						
Market price at 31 December		14.5	19.2	25.5	7.6	29.7
Number of shares	million	51.6	50.2	35.1	29.3	26.9
Market capitalisation		748.2	963.8	895.1	222.7	798.9

DEFINITIONS

Reserve replacement rate: Change in proved and probable reserves/production.
EBITDA: Operating profit (loss) adjusted for depreciation, impairments, amortisation and abandonment costs
EBITDAX: Operating profit (loss) adjusted for depreciation, impairments, amortisation, abandonment costs and exploration costs (including costs of dry wells and impairment of oil and gas fields ("impairment tests"))
ROACE: Net profit (loss) adjusted for after tax interest expenses/average capital employed
Interest coverage ratio: EBITDA/interest expenses
Interest-bearing debt/capital employed: interest-bearing debt/interest-bearing debt and equity

Helge Eide
Managing Director

DNO – an oil company for the future

2001 was a year of strong progress for DNO. Oil production rose by 92 per cent and the company achieved its best result ever. The strategy prepared when the company's current management took over in 1996 has been successful, strengthening our belief in the goals we have defined for the future.

DNO is now established as a leading operator in production from small petroleum fields and in extended production from mature fields. We will now further develop the position we have achieved.

DNO will continue to grow. Our aim is to maximise shareholder value through oil production, acquisition and divestment of interests in oil fields in Norway and abroad. This is the strategy on which DNO's growth has been based over the past five years. In the future, we will capitalise on the knowledge and expertise we have accumulated in the organisation.

Through the development and operation of onshore and offshore oil fields, DNO as gained solid experience in all field development phases. The knowledge obtained from the operatorship of two very different projects in two different countries represents intangible value for a growth oil company. Combined with a flexible and projectoriented network in which a number of partners contribute, this has created significant value for DNO's shareholders in the period 1996 to 2001 and developed the company into an attractive joint venture partner.

DNO's organisation is prepared to meet future challenges of the oil industry. Production from small fields and extended production from mature fields are both becoming increasingly relevant. Through the competence available internally and through our network, DNO has access to cutting-edge expertise. Combined with our attractive position in the market and our strong financial position, this makes DNO an oil company for the future.

Board of Directors' report | 2001

DNO – at the centre of a value-creating network

2001 was DNO's fifth year of operation under new management and strategy. The Board of Directors is pleased that the objectives defined as part of the company's revitalisation in 1996 have been met, including those of continued growth, increased diversification and internationalisation, participation in all operational phases and higher profitability through focus on the company's core activities.

DNO now is an established, international oil company focusing on the development of small and mature petroleum fields. The company participates in both the Norwegian and UK sectors of the North Sea as well as in the Middle East. Its strategy and business concept have proved to be successful. In 2001, DNO's net profit was NOK 134 million. The board is pleased with this development in results and profitability and the increase in shareholder value achieved since 1996. At the beginning of 2002, DNO enjoys a diversified project portfolio and a financial position that provide a sound basis for continued growth.

2001 was another eventful year for DNO. Production start from a new oil field and the award of a new operatorship strengthened the company's position in Yemen. Furthermore, drilling in West Heather increased the company's resource base in the Heather area. In Norway, the Glitne field came onstream, and towards the end of the year, the company entered into an agreement for a further increase in its interest in the Jotun field. In total, this meant that DNO's oil production increased by 92 per cent during the year.

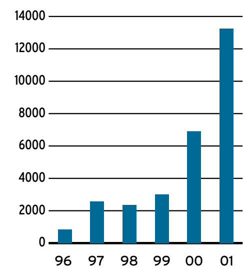
Applies for its third operatorship

DNO has gained a profitable market position in the Norwegian and UK sectors of the North Sea and in Yemen. During 2001, DNO's position was strengthened in all three geographical areas and at the turn of the year, the company's average daily oil production was 21 000 barrels.

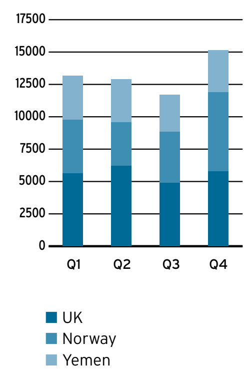
In Norway, production started at the Glitne field, in which DNO holds a ten per cent interest. Based on the agreement to increase its ownership in PL 103b through acquisition of an additional 37.5 per cent interest from Conoco, DNO will apply for the operatorship of the licence. The increase in the company's interest in PL 103b means that DNO's interest in the Jotun field increases by 3.75 per cent. One of the company's goals for 2002 onwards is to further develop and strengthen its position on the Norwegian shelf.

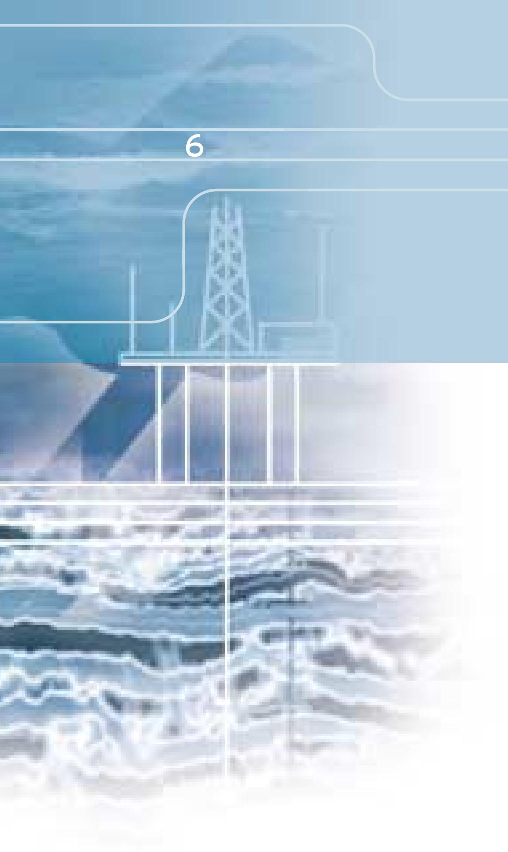
DNO has been operator of the Heather field since 1997 and owns 100 per cent of this field. This has given DNO valuable experience in operating oil fields. This

Average daily production



Quarterly production, per segment





expertise will be important in further development of the Heather area and it will also be important for the company's ambitions in other areas.

DNO was engaged in several projects in Yemen in 2001. Production at the Sharyoof field began on schedule in the fourth quarter, and the company was also awarded operatorship of another licence located in an area in which oil resources have been identified.

At the end of the year, DNO had interests in 12 petroleum licences.

Growth in production gives strong results

DNO's results improved significantly in 2001. Earnings before interest, tax and depreciation (EBITDA) rose by 160 per cent to NOK 635 million (2000: NOK 244 million). The operating profit increased by 203 per cent to NOK 367 million (2000: NOK 121 million). The group's pre-tax profit was NOK 308 million, NOK 214 million higher than in 2000. Basic earnings per share were NOK 2.64 (2000: NOK 1.15).

Net cash flow from operating activities was NOK 634 million in 2001 (2000: NOK 150 million), which to a large extent covered the net investments of NOK 884 million (2000: NOK 460 million).

DNO's results were positively affected by the strategic and operational decisions made before and during 2001. Such decisions have resulted in a significant increase in the company's oil production. Continuous efforts are also being made to adjust to fluctuations in crude oil prices, and to reduce the company's production costs per barrel.

Progress in both business areas

In 2001, revenues from Oil & Gas amounted to NOK 1 088 million (2000: NOK 577 million). The operating profit increased to NOK 344 million (2000: 105 million).

Offshore & Services' operating revenues were NOK 111 million (2000: NOK 96 million), and its operating profit was NOK 22 million (2000: NOK 17 million). Consolidated earnings for 2001 were impacted by a NOK 33.4 million loss, relating to interests in associated companies.

Strengthened financial position

DNO strengthened its financial position during 2001. Strong cash flow and a bond loan of NOK 500 million raised in the Norwegian market in June 2001 significantly increased the company's financial flexibility. To support future growth, DNO secured a bank credit facility of USD 19 million in December 2001.

Throughout 2001, DNO made significant investments in new field interests and development and upgrading of the company's other projects. Investments in Norwegian fields, drilling in the West Heather field and development of its projects in Yemen required large resources. The Board of Directors is very satisfied with the completion of these activities and with the results achieved.

Net interest-bearing debt was NOK 487 million at the end of 2001, compared with NOK 162 million one year earlier. The increase in interest-bearing debt is due to new loans relating to significant investments in 2001. The cash flow statement shows a net increase in cash and cash equivalents of NOK 76 million for 2001.

Total shareholders' equity and liabilities at the end of the year were NOK 2 353 million (2000: NOK 1 597 million). The equity ratio was 40 per cent (2000: 50 per cent).

The Board of Directors confirms that the annual financial statements have been prepared fulfilling the condition of a going concern, cf. Section 3-3 of the Norwegian Accounting Act.

Demerger

During recent years, DNO has grown into an oil company with significant production. The company's activities in the offshore segment have greatly contributed to this growth. To facilitate further expansion, the board believes that activities and investments must be focused. Therefore, DNO has started the process of a spinoff of the Offshore & Services activities into a separate public company. In a board meeting on 4 April 2002, the board will decide whether to propose such demerger to the Annual General Meeting.

Improved resource base at the Heather field

In 1997, DNO became operator and increased its interest in the Heather licence in the UK sector of the North Sea. This made DNO the first Norwegian oil company to be awarded an operatorship for a producing field on the UK continental shelf. The company has continued to increase its understanding of the resource base in the Heather area with the aim of extending production. In the autumn of 2001, DNO drilled a well in the West Heather satellite. The drilling results were positive, increasing West Heather's estimated proved and probable reserves by approximately ten million barrels of oil.

The positive results and the strengthened resource base indicate that operations on the Heather platform can continue for at least another ten years. The previous licence holders planned to shut down the field in 1998. DNO's plans for an additional ten years of production clearly indicate the potential associated with the acquisition of off-plateau fields, at the same time showing the company's competence and experience in implementing this type of project.

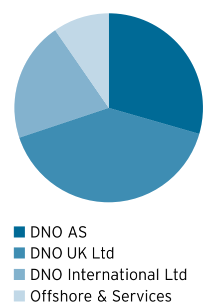
DNO has had an 100% interest in the field since 1999. Further development of West Heather will require significant investments. The company is therefore seeking a partner in this licence.

In 2001, DNO sold its interest in the Claymore field, with a sales gain of NOK 40.3 million. DNO will continue focusing on acquisition and divestment of ownership interests to contribute to the company's earnings.

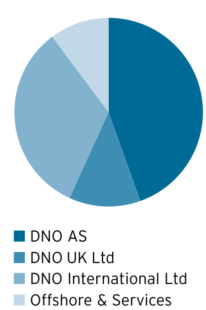
A firmer foothold on the Norwegian shelf

Production at the Glitne field started in autumn 2001. The field is the smallest field on the Norwegian shelf to be developed using a stand-alone production facility. In the years ahead, DNO will seek participation in similar projects on the Norwegian shelf.

Operating revenues per business segment



EBITDA per business segment



Through its acquisition of Conoco's 37.5 per cent ownership interest in PL 103b and consequently the 3.75 per cent interest in the Jotun field, the company will for the first time apply for approval as operator of a Norwegian licence. DNO now holds a 70 per cent interest in PL 103b, and a 7 per cent interest in the Jotun field. At the end of 2001, production from the field was some 60 000 barrels a day. For DNO, approval of an operatorship on the Norwegian continental shelf will imply that the company has reached a new milestone. Through such approval the company will be in position to take on more comprehensive assignments on the Norwegian shelf.

Increased production and new opportunities in Yemen

Since block 32, the Tasour field, came onstream in late 2000, production has increased throughout 2001. Two new wells were drilled during the year and production from Tasour exceeded expectations. Towards the end of the year production from the field was over 11 000 barrels per day. DNO's share is approximately 4 400 barrels. As operator, DNO makes every endeavour to develop the resource base of the licence, and in December 2001 began drilling a new exploration well in Tasour. In addition, block 53, the Sharyoof field, came onstream towards the end of the year. Production from the field is expected to reach 25 000 barrels per day in the course of 2002, of which DNO's share will be over 7 000 barrels per day.

DNO has entered into an agreement giving the company the operatorship and a 75 per cent interest in block 43. This block is situated in a prolific oil producing area, and award of this operatorship to DNO confirms the company's solid position in Yemen.

During its three years of operations in Yemen, DNO has not encountered any special problems relating to its activities in the country. Favourable operating conditions and low costs make Yemen and the Middle East in general an attractive area for further investment by DNO.

New era requires new solutions

Production start at the Glitne field also marked the beginning of a new era on the Norwegian shelf. The Glitne project clearly shows the potential of new solutions in the Norwegian petroleum industry. The project is profitable in its present form, but it would probably not have been developed with traditional production concepts. DNO has developed a model by which its own competence combined with the experience and knowledge of a large network enables the company to offer advanced solutions for development of small oil fields and extended production from existing fields. DNO's rapid growth would not have been possible without the expertise of this network. The North Sea will present significant challenges to the petroleum industry in the years to come. An innovative approach and an openness to alternative solutions – without affecting health, safety and environment – provides the key for a continued high level of activity and production on the Norwegian shelf for several decades to come.

Health, safety and the environment

At the end of 2001, DNO's staff including network had completed 163 man-labour years. Absence in 2001 was 1 231 days, or 3.6 per cent.

DNO aims to carry out its activities without injury to people or damage to the environment and without loss of property. The Board of Directors is pleased to state that 2001 was another year without incidents resulting in significant injuries to people, environmental damage or damage to property. The company's activities satisfied all official environmental requirements. DNO will maintain its focus on HSE and strive to achieve a good and safe work environment.

The Board of Directors wishes to thank DNO's management and employees for their contribution in 2001.

Information to shareholders

On 31 December 2001, the share capital amounted to NOK 206.3 million, consisting of 51 582 197 shares at a nominal value of NOK 4.- each. All shares carry the same rights. During 2001, DNO bought back 959 500 treasury shares.

The DNO share is listed on the Oslo Stock Exchange. The share price on 2 January, 2001 was NOK 22.40. On 2 January, 2002 it was NOK 14.50.

In January 2002, DNO offered to redeem the shares of all shareholders in DNO ASA with holdings valued at NOK 500 or less. The offer was accepted by 12 978 shareholders, or 41 per cent of all qualifying shareholders. In March 2002, the Norwegian Ministry of Trade and Industry gave its consent to a forced redemption of the shares of shareholders eligible for the voluntary offer who had not accepted the offer or increased their share holdings according to the offer.

Outlook

DNO's overall objective is to create shareholder value through profitable investment in petroleum activity. In order to reach this objective, DNO will develop further as a project-oriented upstream oil company, based on its existing business concept and niche strategy.

Geographically, the company will focus on the North Sea and the Middle East, but projects in other areas will also be evaluated. Although DNO may actively explore areas near existing infrastructure, its primary activity will remain development and production of proved reserves.

The company is facing exciting opportunities and tasks in 2002. High priority will be given to the development of existing oil resources in order to increase and show value for the company's shareholders. In this context, further development of West Heather and PL 203 represents significant opportunities going forward.

Through operating licences in the UK and Yemen, and through active participation in a number of Norwegian licences in recent years, DNO has gained solid experience and expertise in all phases of petroleum production. These skills provide the basis for the company's application for its first operatorship and new assignments in Norway in 2002.

The activity and network DNO has built up in Yemen offer good potential for new investments and development of additional oil licences in this country and elsewhere in the Middle East.

Based on the reserve base in the projects in which the company is already engaged, the Board of Directors believes that it will be possible to achieve the company's objective of continued growth in production and profitability in the years ahead.

To provide a sound basis for further expansion and profitable operation, the Board of Directors emphasises further development of the company's performance management system focusing on return on invested capital and on operational targets. The purpose of the company's management system is to ensure that capital is invested in areas and projects yielding the highest return, within acceptable risk levels. The company's system for handling and hedging market risk, including fluctuations in foreign exchange rates, interest rates and crude oil prices, will also be further developed.

DNO will continue its efforts to strengthen the company's financial flexibility. Raising long-term debt-financing of future investments will be given high priority. Following the planned demerger of its Offshore & Services unit, the company will seek to enchance its equity market position as a focused oil company with extensive expertise and experience as an international operator.

Allocations

For 2001, the parent company's profit after tax amounted to NOK 42 978 000. The Board of Directors proposes that the entire profit be transferred to Other Reserves.

Oslo, 20 March 2002

Jan M. Drange
Chairman

Anders Farestveit
Vice-Chairman

Helge Eide
Managing Director

Farouk Al-Kasim
Director

Berge G. Larsen
CEO

Parent company				Group		
2000	**2001**	NOK 1 000	**Note**	**2001**	**2000**	**1999**
		OPERATING REVENUES				
45 378	280 947	Operating revenues from sale of petroleum products	3	1 046 345	574 302	178 122
30 195	-	Operating revenues offshore and services	3	111 302	95 769	27 933
625	162	Other operating revenues	2, 3	41 366	3 131	890
76 198	**281 109**	**Total operating revenues**		**1 199 013**	**673 202**	**206 945**
		OPERATING EXPENSES				
7 014	-	Exploration costs		9 718	22 448	7 465
13 760	45 124	Production- and transportation expenses, oil and gas		442 240	294 769	142 736
20 546	-	Operating expenses, offshore and services		33 950	44 615	15 042
8 789	62 681	Ordinary depreciation, abandonment costs	7 ,16	247 088	93 934	16 755
28 818	21 500	Impairment, amortisation and losses	5, 8	21 500	28 818	-
5 565	10 137	Payroll and payroll related expenses	4	27 140	20 337	6 625
24 318	37 847	Other operating expenses		50 550	47 176	25 969
108 810	**177 289**	**Total operating expenses**		**832 186**	**552 097**	**214 592**
-32 612	**103 820**	**OPERATING PROFIT (LOSS)**		**366 827**	**121 105**	**-7 647**
-32 045	-33 744	Write-down of shares and interests in associated companies	9	-	-	-
-	-	Interests in associated companies	9	-33 397	-30 975	-42 355
21 336	13 122	Net financial items	6	-25 635	4 056	25 069
-43 321	**83 198**	**PROFIT (LOSS) BEFORE TAXES**		**307 795**	**94 186**	**-24 933**
21 928	-40 220	Taxes	14	-173 613	-44 463	-1 337
-21 392	**42 978**	**ANNUAL PROFIT (LOSS)**		**134 183**	**49 723**	**-26 270**
		Basic earnings per share	19	2.64	1.15	-0.82
		Diluted earnings per share	19	2.64	1.10	-0.76

balance sheets

Parent company 31.12.00	Parent company 31.12.01	NOK 1 000	Note	Group 31.12.01	Group 31.12.00
		Assets			
		FIXED ASSETS			
		Intangible assets			
-	-	Goodwill	7	63 923	71 915
55 000	85 000	Deferred tax assets	14	85 869	55 776
55 000	**85 000**	**Total intangible assets**		**149 792**	**127 691**
		Tangible assets			
178 942	224 274	Oil and gas fields	7,18	1 177 506	515 818
85 000	63 500	Other fixed assets	5,8	63 500	85 000
431	3 999	Machinery, equipment, etc.	7	130 705	30 894
264 373	**291 773**	**Total tangible assets**		**1 371 711**	**631 712**
		Fixed asset investments			
185 420	240 370	Shares in subsidiaries	9	-	-
43 918	44 095	Intercompany receivables	10	-	-
175 269	155 900	Investments in associated companies	9	156 588	175 611
7 672	5 261	Other investments and receivables	16	149 493	129 676
189 682	178 531	Restricted bank deposits	11	178 531	189 682
601 961	**624 157**	**Total fixed asset investments**		**484 612**	**494 969**
921 334	**1 000 930**	**Total fixed assets**		**2 006 115**	**1 254 372**
		CURRENT ASSETS			
2 198	20 167	Inventory and accrued revenues		27 116	34 094
90 885	371 865	Intercompany balance	10	-	-
94 005	51 648	Other receivables	13	156 262	215 161
5 339	180	Financial assets		180	5 339
53 447	75 490	Cash and cash equivalents	11	163 687	88 026
245 874	**519 350**	**Total current assets**		**347 245**	**342 620**
1 167 208	**1 520 280**	**TOTAL ASSETS**		**2 353 360**	**1 596 992**

Parent company				Group	
31.12.00	**31.12.01**	NOK 1 000	**Note**	**31.12.01**	**31.12.00**
		Shareholders' equity and liabilities			
		SHAREHOLDERS' EQUITY			
		Paid-in capital			
200 669	206 329	Share capital		206 329	200 669
-60	-3 898	Treasury shares		-3 898	-60
389 882	407 987	Share premium account		407 987	389 882
7 314	7 314	Other paid-in capital		7 314	7 314
597 805	**617 732**	**Total paid-in capital**		**617 732**	**597 805**
		Retained earnings			
205 067	238 893	Other reserves		323 954	198 923
205 067	**238 893**	**Total retained earnings**		**323 954**	**198 923**
802 872	**856 625**	**Total shareholders' equity**	**12**	**941 686**	**796 728**
		LIABILITIES			
		Provisions for liabilities and charges			
-	-	Abandonment	16	260 193	250 924
12 314	-	Other liabilities and charges		44 779	12 314
-	-	Deferred tax liabilities	14	135 612	64 365
12 314	**-**	**Total provisions for liabilities and charges**		**440 584**	**327 603**
		Other long-term liabilities			
55 786	64 722	Long-term intercompany liabilities	10	-	-
300	-	Convertible bond loan	15	-	300
-	500 000	Bond loan	15	500 000	-
115 031	46 906	Amounts owed to financial institutions	15	151 134	145 885
171 117	**611 628**	**Total other long-term liabilities**		**651 134**	**146 185**
		Current liabilities			
103 810	-	Interest-bearing current liabilities	15	-	103 810
77 095	52 027	Other current liabilities	13	319 956	222 666
180 905	**52 027**	**Total current liabilities**		**319 956**	**326 476**
364 336	**663 655**	**Total liabilities**		**1 411 674**	**800 264**
1 167 208	**1 520 280**	**TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES**		**2 353 360**	**1 596 992**
		Pledges	15		
		Guarantee liabilities	16		
		Financial instruments	17		

Oslo, 20 March 2002

Jan M. Drange
Chairman

Anders Farestveit
Vice-Chairman

Helge Eide
Managing Director

Farouk Al-Kasim
Director

Berge G. Larsen
CEO

cash flow statements

Parent company 2000	Parent company 2001	NOK 1 000	Note	Group 2001	Group 2000	Group 1999
		Operating activities				
-43 321	83 198	Profit before tax		307 795	94 186	-24 933
-7 360	-70 220	Taxes paid for the period	14	-105 829	-12 172	-1 337
37 607	84 181	Depreciation and write-downs	5,7	268 588	122 752	16 755
32 045	33 744	Write-down of shares	9	-	-	-
-	-	(Gain) / loss on sale of capital assets		-40 564	-482	-2 859
21 390	-	(Gain) / loss on sale of securities and interests		-	21 390	-
-	-	Share of (profit) / loss in associated companies	9	33 397	30 975	42 355
57 318	39 977	Other items		-5 602	-10 629	-8 065
		Changes in operating assets and liabilities:				
-2 198	-1 750	- change in inventory		23 197	-25 195	-5 899
-226 446	-28 862	- change in current receivables		42 680	-162 497	-15 405
34 013	-285 450	- change in other current assets and other current liabilities		110 589	91 283	48 538
-96 952	**-145 182**	**Net cash flow from operating activities**		**634 251**	**149 611**	**49 150**
		Investing activities				
-13 836	-	Purchase of IOT, exclusive of cash (Group)	2	-	-5 883	-
-	-	Sale of fixed assets		40 418	4 397	8 017
-94 155	-125 878	Acquisition of fixed assets		-894 999	-409 385	-76 474
2 655	-	Sale of securities and interests		-	2 655	-
-24 031	-14 325	Acquisition of securities and interests		-14 375	-24 031	-54 297
-43 134	7 393	Other investments		-14 657	-28 119	-493
-172 501	**-132 810**	**Net cash flow from investing activities**		**-883 613**	**-460 366**	**-123 247**
		Financing activities				
127 451	549 934	Issuance of interest-bearing debt		563 934	127 451	36 000
-43 617	-260 814	Repayment of interest-bearing debt		-249 826	-42 295	-22 661
212 156	23 765	Shareholders' equity paid		23 765	212 156	72 852
-	-12 850	Purchase of treasury shares		-12 850	-	-
-	-	Dividends paid		-	-	-6
295 990	**300 035**	**Net cash flow from financing activities**		**325 023**	**297 312**	**86 185**
26 537	**22 043**	**Net change in cash and cash equivalents**		**75 661**	**-13 443**	**12 088**
26 910	**53 447**	**Cash and cash equivalents at 1 January [1)]**		**88 026**	**101 469**	**89 381**
53 447	**75 490**	**Cash and cash equivalents at 31 December**		**163 687**	**88 026**	**101 469**

1) Restricted bank deposits relating to abandonment are not included in cash and cash equivalents. See note 11.

Accounting principles

General

The financial statements are presented in accordance with the Norwegian Accounting Act of 1998 and Norwegian generally accepted accounting principles. In preparing the statements, management has to use as its basis assumptions and estimates which will have an effect on certain assets and liabilities. Actual figures may differ from these estimates. The accompanying notes are an integral part of the financial statements for the parent company and of the consolidated financial statements.

The consolidated financial statements include the parent company DNO ASA and its subsidiaries as described in note 9.

Basis of consolidation

The consolidated financial statements present the financial position, result of operations and cash flows of the group, and include the parent company DNO ASA and companies in which DNO ASA has a controlling interest. Where subsidiaries are not wholly owned, minority interests are entered as separate items in the profit and loss account and the balance sheet.

Intercompany transactions and balances have been eliminated.

All consolidated financial statements are presented according to uniform accounting principles.

Interests in subsidiaries have been eliminated and the cost price of the shares has been replaced by the companies' assets and liabilities, stated at the group's cost price. The difference between the purchase price of the shares and the group's share of the acquired company's equity at the date of acquisition is primarily included in tangible assets (or incurred obligations) with values differing from book values. Any added value is classified as oil and gas field or goodwill in the consolidated accounts. Deferred taxes relating to acquisitions on the Norwegian continental shelf are included net.

Associated companies are defined as companies in which the parent company DNO ASA or subsidiaries do not have a controlling interest, but have strategic interests and a significant influence (20-50 per cent interest). Associated companies are accounted for by the equity method, and DNO's share of the associated company's net profit for the year after depreciation appears on a separate line in the profit and loss account. The balance sheet states the investment at its cost price adjusted for the consolidated share of the result, depreciation and dividends received. Added value in associated companies is accounted for using the same principles as for subsidiaries.

The balance sheets of foreign subsidiaries are converted using exchange rates at 31 December, with the exception of oil and gas fields which are converted using exchange rates at the date of acquisition. Profit and loss statements are converted using average exchange rates for the year. Conversion differences are entered as a financial item in the profit and loss account, as the foreign subsidiaries are regarded as an integrated part of the business enterprise.

Accruals and valuation principles

In accordance with generally accepted accounting principles, the financial statements are based on the transaction, accruals, classification, prudence and congruence concepts. Hedging is taken account of.

Classification

Assets and liabilities relating to the flow of goods are classified as current assets and current liabilities, respectively. Receivables and liabilities not relating to the flow of goods are classified as current assets or current liabilities if they are short-term, that is, normally due within one year. Shares and investments not intended for permanent ownership are classified as current assets.

Other assets are classified as fixed assets and other liabilities as long-term liabilities. First year's instalment on long-term liabilities are not reclassified as current liabilities.

Cash and cash equivalents include cash, bank deposits and other liquid funds as well as capital investments maturing within three months from the date of acquisition.

accounting principles

Revenue recognition, including conditional outcome

Sales revenues from the petroleum activity are recognised based on produced volumes of oil and gas (the entitlement method).

Revenues from other activities are recognised at the date of delivery. Recognition of expenses is based on the matching principle. In case of uncertainty, probable and quantifiable losses are expensed while conditional gains are postponed.

Shares, bonds, certificates, etc.

Shares, bonds, certificates, etc. classified as current assets, are valued at the lower of their historical cost and market value. Shares in subsidiaries and associated companies are recorded at their cost price. Other shares classified as fixed assets are valued at their cost price and depreciated in case of permanent and significant decline in value.

Exploration costs

DNO uses the "Successful Efforts" method to account for exploration and development costs. All exploration costs, with the exception of drilling costs of exploration wells, are expensed as incurred. Drilling costs for exploration wells are temporarily capitalised pending evaluation of possible discoveries of oil and gas reserves. If a discovery is assessed not to be technically and commercially recoverable, the drilling costs of exploration wells are charged to expense at the date this is established by the operator.

Development costs

All costs of developing commercial oil and/or gas fields, including the costs of the plan for development and operation, are capitalised. Development costs are capitalised once the implementation of the development has been adopted by the licensees or is assessed as highly probable.

Interest expenses and expenses relating to development projects

Interest expenses and expenses relating to development projects are capitalised and depreciated.

Maintenance and repairs

Costs of maintenance and repairs are expensed when incurred. Significant costs which increase the production capacity or useful economic life of the facilities, are capitalised.

Tangible assets

Interests in oil and gas licences are recognised based on the straight line method of depreciation. Provided that the company has significant influence from the date of the agreement, meets the government's conditions for approval and such approval is granted by the end of the accounting year, the date of the agreement is regarded as the date of the transaction.

Petroleum fields and transportation systems under development and in operation, buildings and property, equipment, furniture and fixtures, etc. are recorded at their historical cost net of depreciation and valuation allowances.

The company records impairment provisions when the book value of oil and gas fields or other assets where separate cash flows can be identified, exceeds undiscounted future expected cash flows. The impairment amount is the difference between the book value and the fair value of the asset. Capitalised costs relating to production are depreciated using the unit-of-production method.

The basis for calculation of such depreciation according to the unit-of-production method is proved and probable, developed reserves. The purchase price of licence interests is depreciated based on proved and probable, developed and undeveloped reserves.

Office buildings, equipment, furniture and fixtures are depreciated on a straight-line basis over their expected useful economic life.

Intangible assets including goodwill

Intangible assets including goodwill are depreciated over their useful economic life. Goodwill at 31 December, 2001 is depreciated over 10 years.

Leases

Significant leases regarded as financial leases are capitalised and depreciated over their assumed life. The leased asset is classified as fixed asset and the instalment part of the lease obligation is classified as interest-bearing debt in the balance sheet. The obligation is reduced by paid rent after deduction of estimated interest expenses. The interest expenses are charged as an expense.

Inventories
Inventories of drilling equipment and spare parts are valued at the lower or purchase price and net realisable value.

Increased/reduced offtake of petroleum
Increased/reduced offtake of petroleum follows from the entitlement method and is valued at its net realisable value on the balance sheet date. Increased/reduced offtake is calculated as the difference between the company's share of production and its actual sales. Increased/reduced offtake is classified as current liabilities/accrued revenues.

Provision for future abandonment obligations (including cost of shutdown)
Costs relating to future removal of offshore petroleum installations are accrued using an assumed removal concept based on current technology and current cost level. Abandonment costs for the year are determined on a unit-of-production basis for field installations. The effect of changes in foreign exchange rates is distributed on the remaining production and thus provisions for abandonment obligations are not converted using exchange rates at the balance sheet date. The provision for abandonment obligations is included in the balance sheet under provisions for obligations.

Foreign currency transactions
Cash items denominated in foreign currencies are converted using exchange rates at the balance sheet date. Realised and unrealised currency gains and losses are included in the annual profit (loss). Foreign currency transactions are recorded using exchange rates at the date of transaction.

Deferred taxes
Deferred taxes are computed according to the liability method. Deferred taxes are computed at current tax rates on the temporary differences between the carrying amount of the company's assets and liabilities in the financial statements and the carrying amount of the company's assets and liabilities for tax purposes. The effect of uplift, a special deduction available to reduce taxable income subject to Norwegian petroleum tax, is recognised as earned at the time when investments are made in qualifying assets. Deferred tax benefits and deferred tax liabilities in the same tax regime are netted in the balance sheet.

Capitalisation of deferred tax benefit requires that future application is rendered probable.

Pension obligations
Benefit plans are capitalised according to Norwegian accounting standards (NRS) for pension costs. Contribution plans imply that contributions paid in are expensed when the costs are incurred.

Options to directors of the board and management
Options granted below market value are expensed when awarded and offset against other contributed equity. Outstanding options are recorded at their current value and provisions are made for employer's social security contributions.

Financial instruments, etc.
The company uses various financial instruments to manage its exposure to fluctuations in foreign currency exchange rates, interest rates and commodity price risks. Instruments meeting hedging criteria are valued together with the hedged item. Instruments not meeting hedging criteria, are valued in separate portfolios at the lower of their historical cost and market value. Unrealised losses are expensed.

Cash flow statement
The cash flow statement is based on the indirect method.

Earnings per share
Earnings per share are based on time-weighed, average outstanding number of shares. Diluted earnings per share take account of outstanding options and convertible loans.

Changes in accounting principles and presentation
Operating revenues from the group's activities in Yemen have previously been presented net, that is net of the Yemen authorities' share of production. Based on the increasing importance of the Yemen activities' for the group's financial position, this has been changed in the financial statements for 2001. The Yemen activities are now presented gross, as this is considered to better reflect the underlying activities. Gross presentation means that operating revenues include the share of production that goes to the Yemen authorities under the production-sharing agreement. The authorities' share of production (which depends on the result) is expensed as tax in the consolidated financial statements, so that the Yemen activities are now presented in the same way as the company's remaining activities.

Comparable figures for previous years have been translated to reflect changes in accounting principles and presentation (classification).

Note 2 Significant events

Significant events 2001

Acquisition of interest on the Norwegian shelf

In November DNO signed an agreement with Conoco for transfer of Conoco's 37.5% interest in PL 103 B at the Jotun field, including the operatorship for the licence, effective from 1 January, 2002. The acquisition which is dependent on the approval of the Norwegian Ministry of Petroleum and Energy, increases DNO's interest in the Jotun field by 3.75 per cent.

Sale of interest on the UK shelf

In September, DNO signed an agreement for sale of a 1 % interest in the Claymore field toTalisman Oil Trading Limited. Net sales gain after tax was NOK 40.3 million.

West-Heather drilling programme

The company's drilling programme in West-Heather increased the company's proved and probable reserves by an estimated 10 million barrels.

New interest in Yemen

DNO signed a letter of intent for "farm-in" in block 43 in Yemen. The block is located in the same geological province as blocks 53 and 32. DNO will be the operator with an ownership interest of 75%

Increased ownership interest in block 32 in Yemen

In April, DNO increased its ownership interest in block 32, Yemen, by 9%.

Significant events 2000

Change in group structure

In 2000, DNO acquired 100 per cent of the shares in Independent Oil Tools AS (IOT AS) at a price of NOK 108 million, of which NOK 13.8 million was paid in cash.

Acquisition of interests on the Norwegian shelf

Acquisition of a 1.25% interest in Jotun (PL 103B), a 15% interest in PL 203 and a 10% interest in PL 148. The acquisitions were approved by the Norwegian Ministry of Petroleum and Energy in 2000. Acquisition of a 10% interest in Glitne (PL 048B), approved by the Norwegian Ministry of Petroleum and Energy in 2001. The obligation is not reflected in the balance sheet at 31 December, 2000, cf. the Group's accounting principles, note 1. Acquisition of 10% in Tyr (PL 006C), approved by the Norwegian Ministry of Petroleum and Energy in 2001. An agreement was moreover entered into in 2000 for the purchase of a 2% interest in Jotun (PL 103B), effective from 1 January, 2001. The acquisition was approved by the Norwegian Ministry of Petroleum and Energy in 2001. The total cost of the interests mentioned above was NOK 290 million after tax.

Acquisition of interests in Yemen.

Acquisition of 12% in theTasour field, block 32.

Significant events 1999

Acquisition of interests in Yemen.

Acquisition of 24.45% in block 53. Cost: NOK 18.1 million in cash payment plus two million DNO shares.

Acquisition of interests on the UK shelf

Transfer of the operatorship of the remaining 62.5% interest in the Heather area (Blocks 2/4 and 2/5). Transfer cost: NOK 1.8 million. The sellers keep their abandonment obligation (62.5%) relating to the field.

Note 3 Business segment

2001	Oil and gas	Offshore & services	Group
Operating revenues	1 087 711	111 302	1 199 013
Operating expenses	509 458	54 140	563 598
Depreciation (1)	233 911	34 677	268 588
Operating profit (loss)	344 342	22 485	366 827
Profit (loss) assoc. companies	-	-33 397	-33 397
EBITDA (2)	572 883	62 532	635 415
Total assets	2 116 776	236 584	2 353 360
Interest-free debt	744 327	16 213	760 540
Investments	868 918	122 264	991 182

2000	Oil and gas	Offshore & services	Group
Operating revenues	577 432	95 770	673 202
Operating expenses	369 625	59 721	429 346
Depreciation (1)	103 214	19 538	122 752
Operating profit (loss)	104 593	16 511	121 105
Profit (loss) assoc. companies	-	-30 975	-30 975
EBITDA (2)	256 842	36 049	292 891
Total assets	1 457 517	139 430	1 596 947
Interest-free debt	526 698	11 212	537 910
Investments	428 432	125 830	554 262

1999	Oil and gas	Offshore & services	Group
Operating revenues	179 012	27 933	206 945
Operating expenses	182 795	15 042	197 837
Depreciation (1)	16 755	-	16 755
Operating profit (loss)	-20 537	12 890	-7 647
Profit (loss) assoc. companies	-	-42 355	-42 355
EBITDA (2)	29 475	12 890	42 365
Total assets	702 591	211 028	913 619
Interest-free debt	352 550	-	352 550
Investments	76 474	54 064	130 538

(1) Includes depreciation and amortisation, provisions for abandonment and losses
(2) EBIT adjusted for depreciation and amortisation and provisions for abandonment.

Note 4 Information about remuneration, severance pay, salaries, options and pensions

Remuneration of directors of the board and managing director
The board of directors is part of DNO's project-oriented network model, and the directors are engaged as required to implement specific project assignments.

Salaries and directors' fees from DNO ASA and other companies in the group in 2001

Jan Drange:
DNO ASA: directors' fee: NOK 125 000
Det Norske Oljeselskap AS: directors' fee: NOK 100 000
IOT AS: directors' fee: NOK 60 000

Berge G. Larsen:
DNO ASA: salary: NOK 300 000, directors' fee: NOK 100 000
Petrolia Drilling ASA: directors' fee: NOK 100 000

Helge Eide:
DNO ASA: salary: NOK 2 000 000, directors' fee: NOK 100 000
ClampOn: directors' fee: NOK 25 000
IOT: directors' fee: NOK 20 000

Farouk Al-Kasim:
DNO ASA: directors' fee: NOK 100 000

Anders Farestveit:
DNO ASA: salary: NOK 36 000, directors' fee: NOK 100 000
IOT: directors' fee: NOK 60 000

No loans have been granted and no guarantees have been issued for executives, shareholders or directors of the board.

The table below shows the shareholdings and options directly and indirectly owned and controlled by the board of directors and the management of DNO at 4 April, 2002. In all 4 705 000 share options have been issued to the directors of the board and the company's management, the average exercise price being NOK 26.91. No special conditions apply to the exercise of the share options. All options expire on 30 June, 2002 or earlier if the ordinary annual general meeting takes place before this date.

Directors and executives	Shares	Options	Exercise price (NOK)
Berge Gerdt Larsen, Group Chief Executive and main shareholder	9 883 290	3 000 000	30.50
Helge Eide, Managing Director	100 000	225 000	21.50
Haakon Sandborg, Chief Financial Officer	-	100 000	20.45
Torstein Sannes, General Manager of Det Norske Oljeselskap AS	166	225 000	20.45
Jan M. Drange, Chairman	-	225 000	20.45
Anders Farestveit, Vice-Chairman	-	112 500	20.45
Farouk Al-Kasim, Director	-	112 500	20.45
Other executives	-	705 000	20.45
Total shares/options	**9 983 456**	**4 705 000**	

DNO does not have any programmes for employees' purchase of shares in the company.

Invoiced costs and services from companies controlled by related parties

Jan Drange, chairman, received NOK 1 500 000 in compensation and reimbursement for expenses relating to project-related, administrative and financial services carried out for DNO in 2001.

In 2001, DNO paid NOK 1 400 000 in salaries and other remuneration to the consulting firm IOR (NOK 300 000 in salaries and NOK 1 100 000 for other services), which places Berge G. Larsen at the disposal of DNO as group chief executive. In addition, an agreement exists for coverage of LOG's actual administrative expenses, including office, travel expenses, secretary, etc., according to which NOK 1 800 000 was expensed for 2001.

Directors Farouk Al-Kasim and Anders Farestveit received NOK 391 000 and NOK 469 000, respectively, in compensation and reimbursement of expenses for project-related and administrative services carried out for DNO in 2001.

Severance pay

In accordance with a decision by the annual general meeting on 22 June, 2000 and 22 June, 2001, Jan M. Drange, chairman, will, if rejected, be entitled to a severance pay of NOK 1 200 000 for each year served as chairman, calculated from 1 January, 1996, limited to maximum eight years. A corresponding agreement entitles two of the directors, Anders Farestveit and Farouk Al-Kasim, to severance pay of NOK 600 000 for each year they have served as directors, counting from 1 June, 1996, limited to eight years. No severance pay agreement exists for the group chief executive. On his retirement, the managing director will be entitled to severance pay corresponding to two to three times his annual remuneration, depending on the circumstances.

Auditors' fees

	Parent company		Group	
NOK 1 000	**2001**	**2000**	**2001**	**2000**
Auditors' fees	600	570	1 724	1 095
Assistance and counselling, re-entry Norwegian shelf	-	-	-	1 350
Other assistance	716	349	1 314	598
Total	**1 316**	**919**	**3 038**	**3 043**

Pensions

In 2001, DNO introduced a defined contribution pension scheme for employees in the parent company. NOK 534 000 was expensed for 2001. The company's obligations are limited to its annual contributions.

DNO has a group pension scheme covering employees in IOT AS. Net pension funds, NOK 1 361 000 at 31 December, 2001 and NOK 1 381 000 at 31 December, 2000, are classified as other long-term receivables.

Note 5 Impairment, amortisation and losses

	Group			Parent company	
NOK 1 000	**2001**	**2000**	**1999**	**2001**	**2000**
Amortisation/write-down Timan Pechora (see also note 8)	21 500	26 142	-	21 500	26 142
Other losses	-	2 676	-	-	2 676
Total impairment, amortisation and losses	**21 500**	**28 818**	**-**	**21 500**	**28 818**

In 2001, an amortisation plan was established for the Timan Pechora project in Russia. The remaining book value will be amortised over three years until 31 December, 2004. Due to unresolved project issues, work is now ongoing with the Russian partner to clarify legal ownership conditions. An agreement has been signed with DNO Explorations Scandinavia AS in which DNO owns approx. 19 per cent, to transfer the project to this company when the legal and commercial issues have been clarified. As of today's date, the project remains organised through the shareholding in Ocean Energy Ltd. A transfer of the project, if any, to DNO Explorations Scandinavia will take place at cost price for DNO.

Note 6 Financial income and expenses

	Group			Parent company	
NOK 1 000	**2001**	**2000**	**1999**	**2001**	**2000**
Interest received	40 748	19 582	26 015	19 427	13 515
Interest received from group companies	-	-	-	33 879	9 899
Other financial income	1 780	-	520	703	727
Interest paid	-55 528	-17 243	-8 188	-47 345	-15 700
Interest paid to group companies	-	-	-	-1 705	-530
Capitalised interest expenses	11 471	12 262	-	8 247	10 664
Net gain (loss) on sale of securities	-2 180	-22 508	122	-2 180	-22 508
Net foreign exchange gain (loss)	7 373	24 963	10 012	-2 792	31 003
Other financial expenses, including currency and crude price hedging	-29 299	-13 000	-3 412	-24 026	-21 000
Group contribution received	-	-	-	28 914	15 266
Net financial items	**-25 635**	**4 056**	**25 069**	**13 122**	**21 336**

Note 7 Tangible assets

DNO - Group

NOK 1 000	Expl./licence costs	Field under development	Producing field	Goodwill (1)	Machinery, equipment, etc.(2)	Total
Cost 1 Jan., 2001	36 178	60 544	1 141 077	79 905	53 693	1 371 397
Additions	409 237	168 454	285 061	-	128 430	991 182
Disposals	-	-	-171 557	-	-1 741	-173 298
Transfers	-100 342	-216 321	316 663	-	-	-
Cost 31 Dec., 2001	**345 073**	**12 677**	**1 571 244**	**79 905**	**180 382**	**2 189 281**
Acc. depreciation 1 Jan., 2001	-	-	-721 980	-7 990	-22 799	-752 769
Depreciation 2001	-	-	-192 835	-7 992	-27 869	-228 696
Disposals and transfers 2001	-	-	163 327	-	991	164 318
Acc. depreciation 31 Dec., 2001	**-**		**-751 488**	**-15 982**	**-49 677**	**-817 147**
Book value 31 Dec., 2001	**345 073**	**12 677**	**819 756**	**63 923**	**130 705**	**1 372 134**
Book value 31 Dec., 2000	36 178	60 544	419 097	71 915	30 894	618 628

DNO ASA

NOK 1 000	Expl./licence costs	Field under development	Producing field	Goodwill (1)	Machinery, equipment, etc.(2)	Total
Cost 1 Jan., 2001	-	60 544	523 549	-	11 563	595 656
Additions	-	65 352	42 322	-	3 907	111 581
Disposals	-	-	-	-	-	-
Transfers	-	-113 219	113 219	-	-	-
Cost 31 Dec., 2001	**-**	**12 677**	**679 090**	**-**	**15 470**	**707 237**
Acc. depreciation 1 Jan., 2001	-		-405 151	-	-11 132	-416 283
Depreciation 2001	-	-	-62 342	-	-339	-62 681
Disposals and transfers 2001	-	-	-	-	-	-
Acc. depreciation 31 Dec., 2001	**-**		**-467 493**	**-**	**-11 471**	**-478 964**
Book value 31 Dec., 2001	**-**	**12 677**	**211 597**	**-**	**3 999**	**228 273**
Book value 31 Dec., 2000	-	60 544	118 398	-	431	179 373

(1) Goodwill relating to the acquisition of IOT AS is depreciated on a straight line basis by 10 per cent per year over its estimated useful economic life.

(2) Includes NOK 92.8 million in capitalised value of financial leases.

Note 8 Other fixed assets

The company's project in Russia (Timan Pechora) is included in the balance sheet under other fixed assets with NOK 63.5 million. The project is owned through the company's 28.5 per cent shareholding in Ocean Energy Ltd (Cyprus). See also note 5.

Note 9 Subsidiaries and associated companies

Subsidiaries of DNO ASA

	Company's business address	Ownership and voting interest in per cent	Company's share capital in 1 000	Book value in NOK 1 000
Det Norske Oljeselskap AS	Oslo	100 %	11 500 NOK	110 500
Independent Oil Tools AS	Stavanger	100 %	660 NOK	108 021
DNO Britain Ltd.	Aberdeen	100 %	5 008 GBP	21 849
Total 2001				**240 370**
Total 2000				185 420

Subsidiaries owned by other companies in the group

DNO Heather Limited	Aberdeen	100 %
DNO (Heather Oilfield) Ltd.	Aberdeen	100 %
The Norwegian Oil Company Ltd.	London	100 %
DNO Limited.	London	100 %

DNO ASA has an option for acquisition of the shares in DNO Production Ltd, which provides management services to DNO Heather Ltd.

Associated companies owned by DNO ASA

	Company's business address	Ownership and voting interest in per cent	Company's share capital in NOK 1 000	Book value in NOK 1000 31 Dec. 2001	Book value in DNO ASA in NOK 1 000 31 Dec. 2001
Petrolia Drilling ASA	Bergen	37.5 %	227 923 NOK	140 458	140 458
ClampOn AS	Bergen	36.0 %	171 500 NOK	16 130	15 442
Total 2001				**156 588**	**155 900**

Cost	**Petrolia Dr.**	**ClampOn**
Cost 1 Jan., 2001	255 270	9 942
Net additions/disposals in 2001	8 876	5 500
Cost 31 Dec., 2001	**264 146**	**15 442**

Book value	**Petrolia Dr.**	**ClampOn**
Share of the result for the year	-16 652	1 210
Write-down in 2001 (1)	-17 092	-
Dividends received in 2001	-	-
Excess value depreciated in 2001	-	-863
Result previous years	-89 944	343
Book value 31 Dec., 2001 (2)	**140 458**	**16 130**
Excess value not depreciated	0	7 906

(1) The write-down for the year also includes the effect in the financial statements of PDR ASA of the change in accounting method relating to translation of debt in foreign currencies.
(2) At 31 Dec., 2001 the market value of PDR ASA was NOK 187 million (100%). The market value of DNO's interest was NOK 70 million (37.5%). In connection with the proposed demerger, the company obtained an independent valuation, which indicates an estimated net realisable value corresponding to DNO's book value. DNO has a stock option which entitles it to acquire 1 000 000 shares in PDR ASA at NOK 5 per share. In addition, DNO has issued a put option whereby 1 000 000 shares can be sold to DNO at NOK 5 per share. In the parent company's accounts the interest in PDR ASA has been written down to consolidated value.

Note 10 Intercompany balances

Interest has been calculated on long-term intercompany loans and current intercompany balances.

Note 11 Restricted bank deposits

DNO ASA has placed a bank deposit classified as fixed assets as security for abandonment obligations relating to the Heather field. At 31 December 2001 and 31 December 2000 this amounted to NOK 178.5 million and NOK 189,7 million, respectively. Other restricted bank deposits at 31 December 2001 and 31 December 2000 were NOK 3.3 million and NOK 2.2 million, respectively.

Note 12 Shareholders' equity

Movement in Group shareholders' equity

	Share capital	Treasury shares	Share premium account	Other paid-in capital	Other equity	Total
Shareholders' equity at 1 Jan., 2001	**200 669**	**-60**	**389 881**	**7 314**	**198 923**	**796 728**
Conversion, bond loan	240	-	60	-	-	300
Acquisition of treasury shares	-	-3 838	-	-	-9 013	-12 851
Options, employees	5 420	-	18 046	-	-	23 466
Conversion difference	-	-	-	-	-139	-139
Profit for the year	-		-	-	134 183	134 183
Shareholders' equity at 31 Dec., 2001	**206 329**	**-3 898**	**407 987**	**7 314**	**323 953**	**941 686**

Movement in Parent shareholders' equity

	Share capital	Treasury shares	Share premium account	Other paid-in capital	Other equity	Total
Shareholders' equity at 01.01 2001	**200 669**	**-60**	**389 881**	**7 314**	**205 068**	**802 872**
Conversion, bond loan	240	-	60	-	-	300
Acquisition of treasury shares	-	-3 838	-	-	-9 013	-12 851
Options, employees	5 420	-	18 046	-	-	23 466
Conversion difference					-139	-139
Profit for the year	-	-	-	-	42 978	42 978
Shareholders' equity at 31 Dec., 2001	**206 329**	**-3 898**	**407 987**	**7 314**	**238 893**	**856 625**

The company's board of directors is authorised to acquire treasury shares pursuant to the Companies Act. The company has acquired 974 500 treasury shares at 31 December, 2001. See note 16 concerning guarantees and collateral.

Share capital at 31 December	**2001**	**2000**	**1999**
Share capital, NOK	206 328 788	200 668 788	140 228 172
Number of shares	51 582 197	50 167 197	35 057 043
Nominal value per share, NOK	4	4	4

At the annual general meeting on 22 June 2000, the Board of Directors was authorised to take up a convertible loan at a maximum value of NOK 100 million. As at 31 December, 2001, this authorisation has not been used.

The board of directors is authorised to increase the company's share capital by up to NOK 100 million by issuing up to 25 million shares, nominal value NOK 4, with issue prices and other terms being stipulated by the board of directors. The authorisation was given at the annual general meeting on 20 June 2001 for a period of two years. Up to 2.5 million shares or options may be granted to the company's board of directors, executives, project employees or companies controlled by the above persons. Issue prices and other conditions are to be determined by the board of directors. At 31. December 2001, the board of directors has issued 100 000 options under this authorisation. Reference is also made to note 4. The authorisations also concerns issue of B shares with rights equalling those of the remaining shares, except that the B shares do not carry any voting rights.

The company's shareholders at 31 December, 2001:	No. of shares	Interest
Increased Oil Recovery AS	6 563 142	12.72 %
Larsen Oil & Gas A/S	2 315 148	4.49 %
Verdipapirfondet Skagen	1 202 002	2.33 %
Livius Interiør AS	1 004 000	1.95 %
DNO ASA	974 500	1.89 %
Firstnordic Norge	800 000	1.55 %
Det Stavangerske Dampskipsselskap	623 500	1.21 %
Leif Inge Sletthei	542 915	1.05 %
Unistar Holdings Inc	530 000	1.03 %
Other shareholders	37 026 990	71.78 %
Total	**51 582 197**	**100.00 %**

The list shows shareholders owning more than 1 per cent of outstanding shares.

Note 13 Specification of accounts receivable, other current receivables and other current liabilities

a) Accounts receivable and other current receivables	Group		Parent company	
NOK 1 000	**2001**	**2000**	**2001**	**2000**
Accounts receivable	93 847	106 231	-	31 335
Other current receivables	62 415	108 930	51 648	62 670
Total current receivables	**156 262**	**215 161**	**51 648**	**94 005**

b) Other current liabilities	Group		Parent company	
NOK 1 000	**2001**	**2000**	**2001**	**2000**
Taxes payable	39 711	287	-	-
Accounts payable	45 854	17 514	11 259	8 944
Unpaid government charges and special taxes	7 555	2 966	1 927	1 672
Accrued interest	5 625	4 751	5 625	4 751
Accrued expenses and other current liabilities	221 211	197 148	33 216	61 728
Total, other current liabilities	**319 956**	**222 666**	**52 027**	**77 095**

Accrued expenses and other current liabilities relate essentially to the petroleum activity in Norway and the UK.

Obligations relating to acquisition of licence interests for which the company has contractual long-term bank financing, are classified as long-term liabilities.

Note 14 Taxes

a) Taxes	Group			Parent company	
NOK 1 000	**2001**	**2000**	**1999**	**2001**	**2000**
Taxes payable (1)	137 309	17 582	-	70 220	7 360
Deferred taxes	36 304	26 881	1 337	-38 096	-33 563
Tax on group contribution	-	-		8 096	4 275
Taxes	**173 613**	**44 463**	**1 337**	**40 220**	**-21 928**

(1) Of taxes payable, NOK 70 220 (2001) and NOK 7 360 (2000) are taxes paid in kind in Yemen ("profit oil").

b) Effective tax rates	Group			Parent company	
NOK 1 000	**2001**	**2000**	**1999**	**2001**	**2000**
Profit (loss) before taxes	307 795	94 186	-24 933	83 198	-43 321
Expected income tax according to nominal tax rate	86 183	31 671	-6 981	23 295	-12 130
Expected petroleum tax	87 011	29 196	-	-	-
Effect of uplift	-13 463	-1 285	-	-	-
Adjustment in previous years	776	-538	-	-	-
Other	13 107	-14 581	8 318	16 925	-9 798
Total taxes	**173 613**	**44 463**	**1 337**	**40 220**	**-21 928**
Effective tax rate (including change in deferred taxes)	56 %	47 %	-5 %	48 %	51 %

c) Deferred taxes

The effect on taxes of temporary differences and losses carried forward:		
NOK 1 000	**2001**	**2000**
Other current items	19 700	-15 594
Tangible assets	-184 913	-64 352
Uplift	10 112	1 285
Other fixed items (receivables, abandonment, etc.)	144 687	177 874
Losses carried forward	22 861	49 524
Downward adjustment of tax asset	-62 190	-157 325
Total deferred taxes	**-49 743**	**-8 588**
Capitalised deferred tax assets	**85 869**	**55 776**
Capitalised deferred tax liabilities	**135 612**	**64 364**

Tax rates effective at 31 December, 2001 have been used to calculate deferred taxes. The tax rates are 78 per cent for petroleum-related activities, including a special petroleum tax of 50 per cent, and 28 per cent for other revenues in Norway.

Uplift is earned as a percentage(30%) of total investments in qualifying petroleum assets on the Norwegian shelf. Uplift is amortisable on a straight-line basis over six years from the date of investment to reduce income subject to special petroleum tax. The company has earned a future uplift of NOK 10 112. Unused uplift from any previous year can be carried forward without any limit in time, to reduce future special petroleum tax. At 31 December, 2001, the company did not have any unsued uplift to carry forward, and, consequently, total uplift amounts to NOK 10 112. In its financial statements the company recognises the benefit of uplift as a reduction of deferred tax liabilities in the year earned through the qualifying investments.

In Yemen, the company pays income tax in the form of a percentage of its oil production. In the consolidated financial statements, such oil volumes are recognised as tax payments. Various bonuses and royalties paid to the government are recognised as production costs.

Capitalised deferred tax assets relate to the activities in Norway. Deferred tax assets relating to UK activities are not capitalised.

Losses carried forward relating to the activity in Norway expire in the period 2005 - 2010.

Deferred tax assets and deferred tax liabilities within the same tax regime are capitalised net.

Note 15 Long-term debt, maturity, collateral and loan terms

Long-term debt

Amount in 1 000	Currency	Loan amount currency	Interest rate	Maturity	Balance 31 Dec. 2001	Balance 31 Dec. 2000
Convertible bond loan (1)	NOK	300	5%	01.09.2001	-	300
Foreign currency loan	USD	5 443	Libor + 2%	28.06.2002	49 126	103 810
Foreign currency loan	USD	-	Libor + 2%	-	-	115 031
Bond loan	NOK	325 000	Nibor + 4%	01.06.2004	325 000	-
Bond loan (2)	NOK	175 000	Nibor + 3%	01.06.2004	175 000	-
Net other long-term debt	NOK	11 030	Nibor + 1,3%	15.05.2006	11 030	-
Financial leases (3)	NOK	90 978	3.5% - 8.5%	2002-2006	90 978	30 854
Total outstanding debt					**651 134**	**249 995**

(1) Convertible bond loan at 31 Dec. 2000 was converted into shares in 2001.
(2) The bond loan matures in 2004, but the bondholders have the option to require repayment in the second quarter of 2002.
(3) Consists of several leases with varying terms and maturities.

Maturities of the company's interest-bearing debt in NOK 1 000:

Year:	Instalment:
2002	89 067
2003	16 394
2004	516 394
2005	16 394
2006	12 886
2007-	-
Sum	**651 134**

Collateral (book value of assets offered as collateral):

Amount in NOK 1 000	Parent company	Group
Shares	358 979	140 458
Receivables and inventory	3 498	57 254
Oil and gas fields	-	322 000
Other fixed assets	-	139 046
Bank deposits	-	36 124
Total collaterals	**362 477**	**694 882**

Loan terms:
The company's loan agreements contain certain requirements for financial ratios and restrictions concerning borrowing and equity transactions. At 31 December, 2001, the company complied with all requirements.

Certain requirements also exist for assignment of cash flow from operations, insurance, as well as requirements for hedging of crude oil prices.

Note 16 Guarantees and commitments

a) Abandonment of field installations

According to the concession terms for production licences on the Norwegian continental shelf, upon termination of production or when the licence expires, the company has an obligation to remove the installations as required by the authorities. Potential abandonment costs are to be shared between the Norwegian state and the individual licence based on the tax paid by the licensee during the lifetime of the installation. The state has the option to take over the installation at no charge. The abandonment provision is made on the basis of an assumed removal concept, based on the Norwegian Petroleum Act of 1985, Section 30, the Act of 1996 relating to the allocation of removal costs for installations on the continental shelf, and on international regulations and guidelines. The abandonment is normally based on the following conditions:

- small, including mobile, installations; full removal
- large installations; only partial removal of deck and equipment
- subsea installations and pipelines: cleaning and possible covering
- shutdown and disconnection of wells are included in ordinary operating costs

On the UK continental shelf, licensees are required to carry the cost of abandonment based on an abandonment plan approved by the authorities. Provision for the company's share of such abandonment costs, determined on a unit-of-production basis, is reflected in the balance sheet under Provisions for liabilities and charges, and at 31 December 2001 and 31 December 2000 amounted to NOK 254.0 million and NOK 250.2 million, respectively.

Specification of this year's change in abandonment obligations:

Amount in NOK 1 000	**UK**	**Norway**	**Group**
1 Jan. 2001	250 167	757	250 924
This year's provision	12 993	5 400	18 393
This year's disposal	-9 124	-	-9 124
31 Dec. 2001	**254 036**	**6 157**	**260 193**

Total abandonment cost for the Heather field is estimated at GBP 67.9 million (DNO Heather Ltd's share is 37.5%).
As for the Heather field, former licensees will be responsible for 62.5 per cent of the abandonment obligations, for which guarantees have been provided.

The consolidated financial statements include a USD 15.3 million claim relating to the acquisition of Unocal Britain Ltd (Dno Heather Ltd). The claim matures in 2002, and has been discounted at 8 per cent. Interest is taken to income over the five-year period. The revenue resulting from the redemption of this claim (NOK 133 million) and restricted bank deposits (cf.note 11) of NOK 179 million are to be regarded as part coverage of DNO's obligations relating to the possible future removal of the Heather platform.

The company does not have any obligations relating to field abandonment in Yemen, as operating equipment will be taken over by the authorities when production ceases.

b) Contractual obligations/licence commitments relating to future investments

Through its interests in its own and partner-operated oil and gas fields, the company has the following obligations:

Amounts in NOK million	**2002**
Drilling and exploration commitments	42
Contractual obligations, projects under development	87

c) Lease obligations

The Group has the following operational lease obligations, mostly through ownership interests in company-operated and partner-operated oil and gas fields:

Calendar year	**NOK million**
2002	51.0
2003	50.8
2004	5.1
After 2004	**5.1**
Total minimum operational lease obligations	**112.1**

d) Liability for damages/insurance
As is the case for other licensees on the Norwegian continental shelf, the company has unlimited responsibility for damage, including pollution. The company has insured its pro rata responsibility in the Norwegian and international sectors at levels similar to other oil companies. Installations and liability are covered by an operations insurance policy.

e) Legal disputes
Through its former subsidiary, Viking Petroleum AS, DNO has a legal dispute from 1994/95 with a Dutch broker firm. In the autumn of 2000, DNO was ordered to pay the Dutch broker approx. SEK 12 million plus interest. The court decision has been appealed. Provisions have been made in the accounts, to cover the claim plus interest.

In 2002, 900 000 of the company's treasury shares and NOK 5 million were provided as security for the claim.

f) Guarantees at 31 December, 2001 (NOK million)

Parent company's guarantees to group companies	52
Other guarantees given by the parent company to external parties	317
Total guarantees	**368**

In connection with loan agreements, guarantees have also been given to lenders.

Note 17 Financial instruments and risk management

DNO is exposed to changes in oil prices associated with the company's oil activity. The activity also involves exposure to market risks relating to changes in exchange rates. The company's exposure to risk is continously being monitored, and the company employs various financial instruments to reduce this risk. The company does not use financial instruments for speculation purposes.

DNO employs the following financial instruments:

a) Foreign currency risk management
DNO's revenues are mainly denominated in USD, while its disbursements relating to investments and operations are normally denominated in Norwegian kroner (NOK) and English pounds (GBP). A decline in the value of the USD reduces the funds obtained by a conversion to NOK/GBP. DNO is therefore exposed to changes in the value of the USD versus NOK and GBP. To reduce this risk, DNO sells USD forward against NOK and GBP.

b) Forward contracts, currency swaps and currency options
The company has a currency options portfolio maturing in the period January 2002 to December 2002. In all the company has sold USD 59.7 million and bought GBP 18.4 million and NOK 300.4 million. At 31 December, 2001, net unrealised losses on these contracts amount to NOK 4.02 million.

In 2001 a currency swap was entered into for part of the bond loan from NOK to USD, maturing in 2004. At 31 December, 2001 unrealised losses amount to NOK 2.2 million.

c) Interest rate risk management
DNO is exposed to interest rate fluctuations on all loans based on a floating interest rate, mainly LIBOR og NIBOR. At 31 December 2001, DNO had not entered into any agreements for interest rate swaps or other interest rate instruments, with the exception of the currency swap described in point b above, which means that the interest is swapped from a NIBOR-based to a LIBOR-based interest rate.

d) Commodity price risk management
DNO is exposed to price risk related to fluctuations in crude oil prices, and the company uses commodities derivatives for hedging purposes. At 31 December 2001, the company did not have any hedging contracts relating to crude oil prices. See note 23.

e) Credit risk

In agreements entered into for financial instruments, DNO is exposed to credit risk in the event of non-performance by the counterparts to the agreements. In the event of a counterpart default, the risk of loss would be the difference between the prevailing market prices/exchange rates and the contracted interest and exchange rates. The credit risk of interest rate, currency and crude oil derivatives will be represented by market values of contracts with a positive value at the end of each accounting period, cf. estimated market values in the table below. Counterparts in the agreements are approved internally according to certain criteria. In DNO's opinion, such credit risk is not significant.

f) Fair value of financial instruments

Fair values of the company's financial instruments are estimated based on market prices, and the valuation methodologies are described below. However, prudence is recommended in interpreting market data to arrive at an estimated fair value. Accordingly, the estimates presented herein may not necessarily be indicative of the amounts the company could realise.

g) Risk related to other items

DNO has a 37.47 per cent interest in Petrolia Drilling ASA, a company listed on the Oslo Stock Exchange. DNO is exposed to a risk related to fluctuations in the share price of this investment, see also note 9.

Estimated fair value of financial instruments at 31 December	**2001**		**2000**	
Amounts in NOK 1 000	**Book value**	**Fair value**	**Book value**	**Fair value**
Financial assets:				
Cash and cash equivalents	163 687	163 687	88 026	88 026
Financial obligations:				
Long-term debt, including 1st year's instalment	651 134	651 134	247 441	247 441
Instruments used to manage currency exposure:				
Assets	-	-6 220	-	17 502
Obligations				
Instruments used to hedge crude oil prices:				
Assets	-	-	3 249	5 734
Obligations				

The following methods and assumptions are used to estimate the fair value of financial instruments:

Cash and cash equivalents

The book values approximate fair values due to the short time to maturity of these instruments.

Long-term debt

For floating rate bank loans, fair values and book values are identical.

Currency options/commodities derivatives

The fair value of unlisted financial instruments is based on market quotations and estimates based on market rates at the balance sheet date.

Note 18 Proved and probable oil and natural gas reserves (unaudited)

The table below shows DNO's estimated proved and probable reserves of oil and gas and the changes in reserves for the years 2001, 2000 and 1999.

The company uses proved and probable, developed reserves as its base when estimating depreciation and abandonment provisions according to the unit-of-production method (producing fields).

The reserves in fields of which DNO is the operator, are based on DNO's own estimates, whereas the reserves in partner-operated fields are based on independent estimates.

Proved and probable, developed reserves represent estimated volumes of oil, gas and NGL which, based on geological and technical data, with a reasonable degree of certainty can be produced from known reservoirs in the future, under the current commercial and operational conditions.

Because of the uncertainty and limitations associated with reserve data, reserve estimates will change as new information becomes available.

	Norway		UK		International		Group	
	Oil	Gas	Oil	Gas	Oil	Gas	Oil	Gas
Proved and probable reserves	**mmb**	**boe**	**mmb**	**boe**	**mmb**	**boe**	**mmb**	**boe**
Total proved and probable reserves at 31 Dec. 1998	-	-	15.0	-	-	-	15.0	-
Revision of earlier estimates	-	-	0.1	-	-	-	0.1	-
Extensions and discoveries	-	-	-	-	-	-	-	-
Acquisitions and sale of reserves	-	-	19.9	-	-	-	19.9	-
Production 1999	-	-	-1.0	-	-	-	-1.0	-
Total proved and probable reserves at 31 Dec. 1999	**-**	**-**	**34.0**	**-**	**-**	**-**	**34.0**	**-**
Revision of earlier estimates	-	-	19.9	-	-	-	19.9	-
Extensions and discoveries	-	-	1.0	-	9.6		10.6	-
Acquisitions and sale of reserves	5.0	-	-	-	-	-	5.0	-
Production 2000	-0.6	-	-1.8	-	-0.2	-	-2.6	-
Total proved and probable reserves at 31 Dec. 2000	**4.4**	**-**	**53.1**	**-**	**9.4**	**-**	**66.9**	**-**
Revision of earlier estimates	-0.4	-	2.6	-	1.4	-	3.6	-
Extensions and discoveries	3.3	6.4	8.1	-	-	-	11.4	6.4
Acquisitions and sale of reserves	2.9	0.1	-1.0	-	-	-	1.9	0.1
Production 2001	-1.6		-2.0	-	-1.2	-	-4.8	-
Total proved and probable reserves at 31 Dec. 2001	**8.6**	**6.5**	**60.8**	**-**	**9.6**	**-**	**79.0**	**6.5**

Of total proved and probable oil and natural gas reserves of 85.5 million barrels of oil equivalent, 23.1 million barrels are proved and probable, developed reserves which form the basis of the company's depreciation and provisions for abandonment.

Note 19 Earnings per share

Basic earnings per share are calculated by dividing group profit by the average number of shares (50 905 197). Diluted earnings per share in 2001 take account of convertible loan and outstanding options (4 705 000). Interest charges relating to convertible loan are taken account of. Corrections have been made for the effect of new equity from options by assuming that the paid-up amount is used to buy ordinary shares in the market (treasury stock method).

Note 20 Other commitments

Other commitments mainly relate to unpaid cost of acquired oil licences. The purchase price has been discounted (not interest-bearing) and will depend on actual production.

Note 21 Health, safety and the environment

The company's activities were carried out in accordance with official requirements relating to the natural environment. No significant injury or damage occurred in 2001.

Note 22 Transactions with related parties and network companies

All transactions, agreements and business activities with related parties are conducted on normal business terms and conditions. DNO's activities are based on an operational and project-oriented, cost-effective network model, where projects are identified and implemented by DNO's own employees (informed buyers), project players, consultants and other companies in a network. Companies controlled by related parties took over close to 40 per cent of the company's shares at the beginning of 1996, when the company only had three employees and almost no equity.

Since 1 January 1996, the company's major shareholder has mainly provided DNO with its current strategy and business model, network and significant assets, including rig contracts, rig interests and oil fields.

In connection with the Heather field drilling programme in 2001, the group contracted the rig Petrolia at market rates from the associated company PDR ASA.

In connection with the refinancing of DNO in 1996, the company's largest shareholder granted NOK 12 million of a NOK 24 million convertible loan. The share price at that time was NOK 4.20 per share, with the conversion rate being set to NOK 5 per share. The largest shareholder's part of the loan was converted into shares in 2000.

Lease agreements have been entered into between companies in the group, in which also the parent company is a party. A lease agreement also exists between the subsidiary IOT AS and the associated company PDR ASA.

In 1999, DNO acquired 24.45 per cent in Yemen, block 53, from Independent Oilfield Rentals (IOR) Ltd., a company controlled by network partners. DNO paid for its interest by issuing DNO shares corresponding to NOK 52.2 million, which corresponded to the accumulated cost of the interest. Block 53 contains approximately 25 million barrels of oil, of which DNO's share is approximately 7 million barrels. In addition to the sales price, the seller is entitled to profit-sharing, based on the cost with the addition of 12 per cent, should DNO sell the interest to a third party before the end of 2002. DNO has no intention of selling the interest to a third party before the end of 2002.

According to the current agreement, Larsen Oil & Gas AS' actual administrative expenses, including office, travel expenses, etc. are covered. Under this agreement, NOK 1 800 000 was expensed in 2001, NOK 1 475 000 in 2000 and NOK 500 000 in 1999.

In connection with the establishment of an office in London and work towards international financial institutions and investors, the Group Chief Executive will be spending a large part of his time abroad. Therefore, the parent company's agreement with the Group Chief Executive was changed in 2001. The services are now rented from Increased Oil Recovery Ltd. at agreed daily rates. According to this agreement, NOK 1 031 000 was expensed in the financial statements for 2001 (for the period 17 July to the end of the year). See note 4.

Concerning remuneration of directors and executives, including options and severance pay agreements, reference is made to Note 4.

The financial statements at 31 December 2001 include an intercompany balance (receivable) of NOK 35.8 million relating to the associated company PDR ASA. Interest is calculated on intercompany balances.

Note 23 Contingencies and events occurring after the balance sheet date

According to the agreements entered into with the Russian partner for the Timan Pechora project, including the shareholder agreement relating to DNO Explorations Scandinavia AS, each partner's interest in DNO Explorations Scandinavia may be changed, so that DNO ASA becomes the main shareholder of the company again, or the shareholding may be sold.

In 2002, DNO acquired a put option to secure an oil price floor for 4 000 barrels of oil per day.

In December 2001, DNO signed a loan agreement with two Norwegian banks. The loan facility has not been used at year end. As the loan agreement was entered into in 2001, collateral, guarantees and loan terms are given in note 15.

In March 2002, collateral was etablished for a claim relating to a legal dispute with a Dutch broker firm. Such collateral is specified in note 16. Provisions were made in the financial statements at 31 December 2001 corresponding to the amount following from the court decision (SEK 12 million plus interest). DNO has appealed the court decision.

At the beginning of 2002, DNO initiated a process to buy out the company's small shareholders.

In February 2002, the operator of the Tyr field communicated that exploration well 2/5-12, which was being drilled at the turn of the year, would be plugged and permanently abandoned. The effect of this, approximately NOK 5-6 million after tax, will be recognised in the financial statements for the first quarter of 2002.

In a board meeting on 4 April, 2002, the board will decide whether to propose a demerger of the offshore and services activities to the Annual General Meeting. The proposal is described in a separate demerger prospect.

If all or part of block 53 in Yemen is sold by the end of May 2002, 50 per cent of any sales gain after deduction of cost price plus interest will go to Independent Oilfields Rentals Ltd.

Auditor's report

ANDERSEN

TRANSLATION FROM NORWEGIAN

AUDITOR'S REPORT FOR 2001

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To the Annual Shareholders' Meeting of
DNO ASA

We have audited the annual financial statements of DNO ASA as of 31 December 2001, showing a profit of NOK 42.978.000 for the parent company and a profit of NOK 134.183.000 for the group. We have also audited the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the profit. The financial statements comprise the balance sheets, the profit and loss accounts and cash flow statements, the accompanying notes and the consolidated accounts. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements have been prepared in accordance with law and regulations and present the financial position of the Company and of the Group as of 31 December 2001, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Company's management has fulfilled its obligation in respect of registration and documentation of accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the profit is consistent with the financial statements and comply with law and regulations.

ARTHUR ANDERSEN & CO.

Asbjørn Rødal (sig)
State Authorised Public Accountant (Norway)

Oslo,
20 March 2002

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Terje Bjerkan AS, Stryn
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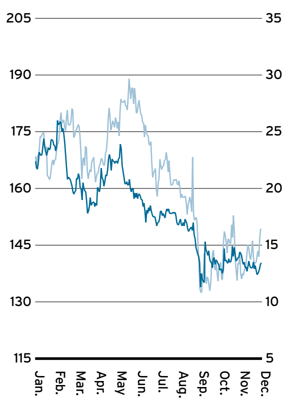
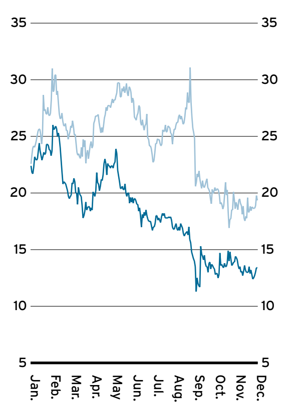
Møller & Co AS, Tønsberg
Dybwad Revisjon DA, Oslo
AmedA Møre, Ålesund
Revisjonsfirma Aage P. Danielsen, Kristiansand

Shareholder relations

Share price development



■ Market price of the DNO share
■ Oslo Stock Exchange energy index



■ Market price of the DNO share
■ Brent Blend oil price

DNO is a growth company. Its overall objective is to create long-term value for its shareholders through profitable investment in petroleum related activities, which shall contribute to an increase in the value of the company's shares and payment of dividend.

The company has, however, not paid any dividend since 1997, as DNO has invested considerable sums in licences and in exploration and development activities. Based on its extensive investment plans, the company anticipates a low dividend level in the years ahead. The table below shows dividend and earnings per share since 1996.

YEAR	Earnings per share (NOK)	Dividend per share (NOK)
1996	0.24	0
1997	6.81	1.01
1998	0.84	0
1999	-0.82	0
2000	1.15	0
2001	2.64	0

Investor relations

DNO aims to provide the stock market with relevant and detailed information as a basis for a balanced and correct valuation of its share.

DNO realises the importance of an open dialogue with the stock market, and keeps its shareholders and the market continuously informed about factors influencing its share value. Such information is provided through notification to the stock exchange, press releases, financial reporting and presentations in the investor market.

The company's website includes separate investor relations pages with annual reports, interim reports and presentations.

DNO aims to increase interest in DNO's shares among both Norwegian and international investors.

The company's accounting year is identical to the calendar year. Interim reports are provided on a quarterly basis. Accounting figures are presented in Norwegian kroner (NOK).

Market capitalisation, share price development and turnover

The left-hand column of this page shows a graph comparing the development in the company's share price in 2001 with the Oslo Stock Exchange's energy index and the oil price.

Close to 67 million DNO shares were traded during the year, corresponding to a turnover rate of 129 per cent.

Number of shares and nominal value

The total number of shares in circulation at the end of 2001 was 51 582 197. The nominal value of the share was NOK 4.-.

Treasury shares

At DNO's Annual General Meeting on 21 June 2001, the Board of Directors was authorised to buy DNO shares limited to 10 per cent of the share capital. This authorisation is valid until the next ordinary annual general meeting.

On 31 December 2001, the company held 974 500 treasury shares. The increase in treasury shares in 2001 were purchased through a broker at market price.

From January to March 2002, DNO also redeemed shares as a result of the voluntary redemption offer to company shareholders with holdings valued at less than NOK 500 and through forced redemption. On 4 April, 2002, the company's holding of treasury shares had thereby increased to 1 286 482 shares, corresponding to 2.5 per cent of its share capital.

Shareholders

On 31 December 2001, DNO ASA had 42,429 shareholders, of whom 494 were foreign. The foreign shareholders owned a total of 1 980 121 shares, corresponding to an ownership interest of 3.84 per cent. As a result of the redemption of small shareholdings, the number of shareholders decreased from 42 429 to 10 993 by March 2002.

The first table in the next column shows the company's major shareholders on 31 December 2001, according to the Norwegian Registry of Securities.

DNO ASA's major shareholders at 31 December, 2001

Shareholders	Number of shares	Interest
Increased Oil Recovery AS	6 563 142	12.72 %
Larsen Oil & Gas A/S	2 315 148	4.49 %
Verdipapirfondet Skagen	1 202 002	2.33 %
Livius Interiør AS	1 004 000	1.95 %
DNO ASA	974 500	1.89 %
Firstnordic Norge	800 000	1.55 %
Det Stavangerske Dampskipsselskap	623 500	1.21 %
Leif Inge Sletthei	542 915	1.05 %
Unistar Holdings Inc	530 000	1.03 %
Other shareholders	37 026 990	71.78 %
Total	51 582 197	100.00 %

Number of shares and share options directly and indirectly held and controlled by the Board of Directors and management of DNO at 31 December, 2001

Name	Number of shares	Options
Jan M. Drange, Chairman	-	225 000
Anders Farestveit, Vice-Chairman	-	112 500
Helge Eide, Managing Director	100 000	225 000
Farouk Al-Kasim, Director	-	112 500
Companies controlled by Berge Gerdt Larsen, Group Chief Executive and largest shareholder	9 883 290	3 000 000
Haakon Sandborg, Chief Financial Officer	-	100 000
Torstein Sannes, General Manager, Det Norske Oljeselskap AS	166	225 000
Other executives	-	705 000
Total number of shares/options	9 983 456	4 705 000

DNO makes use of options programmes to attract and motivate key personnel and management. See the second table above.

Value based management and strategic planning

DNO has developed a performance measurement model that focuses on the link between management objectives and strategies and investors' goals and requirements for return on capital.

The aim of the model is to ensure that defined objectives are met and that corrective actions are taken in case of deviation between management objectives and actual performance. The performance measurement model is also aimed at meeting the market's requirements for information.

DNO's performance measurement model is based on the strategic value drivers established through the company's strategy processes, the critical success factors, with a clear relationship between key success factors and the selected key performance measures. The challenge consists in identifying performance measures which in a straightforward and clear way operationalise strategic goals, thus providing relevant internal management information, and at the same time meeting the capital markets' demands for information.

Value based management

Value Based Management (VBM) is a management philosophy defining creation of shareholder value as the overall goal of the company's operations. Maximising shareholder value is the corporation's key mandate governing its strategies, structure and processes, influencing bonus systems and dictating which performance measures should be used to monitor the company's performance.

DNO's management system shall meet the following requirements:

- Visualise and communicate the group's vision, strategies and action plans,
- Ensure a linking of strategies and resource allocation,
- Supply relevant information about the most important factors impacting future results,
- Enable management to continuously evaluate strategies and dynamic actions based on changes detected by the management system,
- Measure development in company values that are not reflected in its financial statements.

By combining the traditional Balanced Scorecard (BSC) methodology with Value Based Management (VBM) philosophy, the company ensures focus on key operational activities, in addition to prioritising activities according to the value they create for the shareholders.

The result is a dynamic management model that focuses on operationalising the company's strategy and making this visible to the capital market.

Value creation and strategic planning

In order to provide the management with relevant information necessary to implement the company's strategy and supply the capital market with predictable information, the company will identify the specific value drivers that create shareholder values in short-, middle- and long-term.

Key value drivers for shareholder value creation include:

- Continuous access to new petroleum reserves by means of exploration activities and identification of profitable acquisitions, cost-efficient development and production resulting in cash flow and a satisfactory return on invested capital.
- Safe operation of petroleum fields, either as operator or as an active partner in the licences.
- Optimal capital and resource allocation, including profitable acquisition of producing fields and development of projects with short lead times and early positive cash flows.

Factors affecting DNO's results

The development in crude oil prices and foreign exchange rates are external factors outside DNO's control. The company uses commodity derivatives and futures contracts to reduce the effect of fluctuations in the market on the company's cash flow and results.

The company's objectives, strategic priorities and internal management model, therefore, focus on factors that the company can influence.

DNO's areas of focus

DNO prioritises management information which will ensure that the following key success factors are managed in a satisfactory manner:

- Cash flow from operations: continuous focus on growth in daily petroleum production, low exploration and development costs, cost-efficient production and the application of a project-related network concept ensuring adequate resources and competence in periods of growth and flexibility during periods of lower crude oil prices.
- Addition of new reserves: DNO's ability to replace produced petroleum by new reserves through exploration programmes and profitable acquisitions.
- Development of project portfolio: DNO's ability to develop its project portfolio and reserves base from proved reserves to developed, producing reserves.
- Diversification of project portfolio: DNO's ability to diversify its portfolio between fields with different cost structures (onshore versus offshore) and varying tax regimes to achieve an acceptable risk level.
- Financial strength: DNO's ability to optimise the company's capital structure and attract competitive financing to provide a basis for further growth.
- Cash flow from gross invested capital: DNO's ability to invest in projects with low development costs and relatively high cash flow.
- Return on capital employed: DNO's ability to achieve a return that exceeds the company's average cost of capital.

DNO's History

Det Norske Oljeselskap (DNO) has grown in parallel with the development of the Norwegian oil adventure. When the company was established in 1971, the aim was to become a competitive player in exploration and acquisition of petroleum fields on the Norwegian continental shelf.

As many as 70 000 shareholders – mostly private investors – contributed almost NOK 85 million in start-up capital. Many of the original shareholders still have interests in the company.

The basis of DNO's existence was oil exploration activity in the North Sea, where the company's core activity is still located.

The company's interest in the Heather field on the UK shelf formed the basis for earnings and positive cash flow at an early stage. This field is still an important part of DNO's operations.

In the early years, DNO took part in exploration projects in other regions of the world with varying success. In recent years, the company has acquired interests in licences in Yemen, where both development and operating costs are low. DNO completed its first field development in Yemen in 2000, on schedule and according to budget. The field has been onstream since the autumn of 2000.

As a niche player, DNO's key strengths include its flexibility and niche expertise. The company has managed to adapt its strategies and activities to market fluctuations, competition and changing political conditions. The last major strategic change was implemented in 1996, when companies controlled by Berge Gerdt Larsen acquired significant ownership interests in DNO. The new board of directors and management decided that DNO would specialise in optimal utilisation of small and mature oil resources.

This strategy has formed the basis for the strong growth that DNO has experienced since 1996 and DNO's good results today.

From 1996 to 2001, DNO's oil production increased from 840 to 13 255 barrels per day, while the company maintained its interests in drilling rigs and oil services. During the same period, DNO's total operating revenues rose from NOK 61 million in 1996 to NOK 1 199 million in 2001. The company is now a successful upstream oil enterprise, its core strategy based on the exploitation of oil resources in small and mature fields. DNO remains a firmly established, privately owned Norwegian oil company.

1970 1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986 19

1971 Det Norske Oljeselskap is established with a start-up capital of NOK 84 750 000 and 70 000 shareholders.

1974 After having discovered oil in the Heather field in the UK sector of the North Sea, DNO generates its first revenues from oil production.

1984 DNO is one of four Norwegian companies to be awarded licence interests on the Norwegian shelf by the Norwegian parliament.

1988 After a period of significant fluctuations in the crude oil prices worldwide, consumption increases and DNO once more focuses on exploration activities.

1989 A share issue brings in NOK 175 million in new capital. DNO is regarded as a significant player with sound knowledge of the Norwegian, UK and Dutch sectors of the North Sea.

1990-1995 A fluctuating market results in short-term strategies and significant downsizing of the organisation. In 1995, the company has three employees.

1996 New owners and a new management headed by the investor Berge Gerdt Larsen, develop a new strategy, focusing

dno asa

Haakon Sandborg
Chief Financial Officer

Helge Eide
Managing Director

det norske oljeselskap as

Torstein Sanness
Executive Vice President

Hans Christen Rønnevik
Executive Vice President

dno britain ltd

Lorna Macintyre
Contract and Logistics Teamleader

Stewart Watson
Chief Executive

Pat Buckman
Manager Production Operations

Sven Erik Lie
Project Manager

dno international

Magne Normann
Executive Vice President

87 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004

on the exploitation of small and mature oil resources by means of a modern, project-oriented network.

1997 DNO increases its interest in Heather field to 37.5 per cent and becomes the operator of the field. Restructuring and rig sale provide strong DNO results for the year. The company has 90 employees.

1998 DNO takes over Hydro's interest and becomes the operator of the Tasour field in Yemen. The company opens an office in Yemen's capital Sana'a.

1999 DNO acquires 100 per cent of the Heather field.

2000 DNO reestablishes activity on the Norwegian shelf by acquiring a 1.25 per cent interest in the Jotun field. The company makes a new oil discovery in Yemen (Sharyoof), and achieves a pre-tax profit of NOK 86.8 million.

2001 DNO achieves its best results ever and applies for an operatorship on the Norwegian shelf as a result of its increased interest in Jotun field. The company proposes to spin off its Offshore & Services unit into a separate company.

Activities on the Norwe

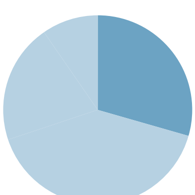
In 2000, DNO reestablished its activity in the Norwegian sector of the North Sea, as part of its overall strategy of engaging in small petroleum field development and extended production from mature oil fields. DNO's aim is to be an active license partner and operator on the Norwegian shelf and commercialise opportunities through cost-efficient and flexible development concepts.

The company currently holds interests in five licences in the mature exploration areas of the Norwegian shelf, including the Jotun and Glitne fields. Development options are also being studied for the oil and gas discoveries in PL 203.

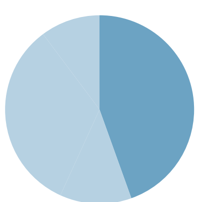
New potential

Due to broad industry consolidation in recent years and increased maturity of the Norwegian North Sea petroleum province, a number of small and mature oil fields have been sold. This provides exciting new opportunities for DNO, with a strategy well adapted to the current market situation.

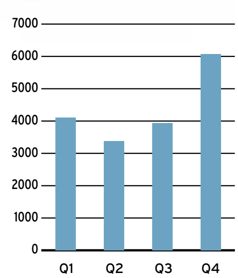
Development and operation of small and mature oil fields require the same experience and competence as major fields. DNO, therefore, bases its activities on an efficient, operational, project-oriented network consisting of specialists with relevant expertise, able to see their own



Revenues (30% of total DNO)



EBITDA (42% of total DNO)



Quarterly production 2001

gian continental shelf

contributions in relation to the whole. DNO's core expertise consists in creating subsurface concepts that can be used in a commercial and operational context to maximise shareholder value.

Production

DNO produced oil from the Jotun field throughout 2001, and at the end of August, production also began at the Glitne field. DNO's total average daily oil production from its activities on the Norwegian shelf was 4 380 barrels in 2001.

Licence activity

Production from the Jotun field, in which DNO participates through its interest in PL 103b, began in 1999/2000. After having exceeded expectations in its first year of operation, production is now in accordance with the field development plan prognosis.

In the autumn of 2001, DNO signed an agreement to add to its interest in the Jotun field. The agreement, which includes the takeover of Conoco's 37.5 per cent interest in PL 103b as well as the operatorship of the licence, increases DNO's interest in PL 103b to 70 per cent and, consequently, its interest in Jotun to 7 per cent. This is the company's first step towards an operatorship on the Norwegian shelf. The agreement with Conoco requires approval of the Norwegian authorities.

In the time ahead, DNO will continue its work to achieve better understanding and exploitation of the reservoirs relating to the Jotun field.

Production from the Glitne field, which came on stream on 29 August 2001, has been according to plan and at maximum plateau production level. No major operational problems have been encountered.

Three discoveries have been made in PL 203; Gekko (gas and oil), Kamelon (gas and oil), and Kobra (oil). The Kneler prospect has not yet been drilled.

Marathon oil company has taken over Norsk Hydro's interest and the operatorship of the licence. A plan for development and operation is expected during 2002. DNO is actively cooperating with Marathon, evaluating possible development concepts for the licence.

Drilling of the Tyr well in PL 006c began at the end of November. Only traces of hydrocarbons were found, and the drilling activity has been stopped. DNO's interest in PL 006c is 10 per cent.

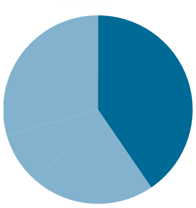
Outlook

Upon approval from Norwegian authorities, the agreement with Conoco for acquisition of PL 103b and its operatorship will give DNO status as operator on the Norwegian shelf. This will enable the company to take on larger future assignments in the Norwegian sector of the North Sea. DNO is continuously striving to ensure the best possible management of the company's existing resources on the Norwegian shelf. In addition, the company is evaluating several other fields in the mature parts of the shelf.

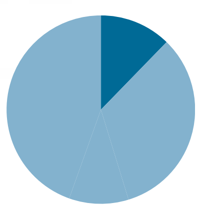
DNO's activities in the

DNO's involvement in the UK sector of the North Sea dates back to the founding of the company in the early 1970s. In 1997, DNO became the operator of the Heather field and was the first Norwegian operator of a producing field on the UK continental shelf.

DNO's activities on the UK shelf are focused on the 2/4, 2/5 and 210/29a blocks, located northeast of Shetland. The company's first production revenues came from the Heather oil field, and Heather remains an important part of DNO's activities. Initially, DNO's interest in block 2/5 was 6.25 per cent. From production-start in 1978 until today, almost 126 million barrels of oil have been produced from the main Heather field, corresponding to a recovery rate of 26 per cent. This is very low compared with the average rates for the North Sea. The low rate of recovery i ndicates a potential for additional oil production from the field in the years ahead.



Revenues (40% of total DNO)



EBITDA (18% of total DNO)

Operatorship

During 1997, DNO took over the operatorship and increased its net interest in blocks 2/4 and 2/5 to 37.5 per cent. As a consequence of agreements entered into with BP and Texaco in 1999, DNO currently holds a 100 per cent interest in the Heather area, but will only be

UK

responsible for 37.5 per cent of future abandonment costs.

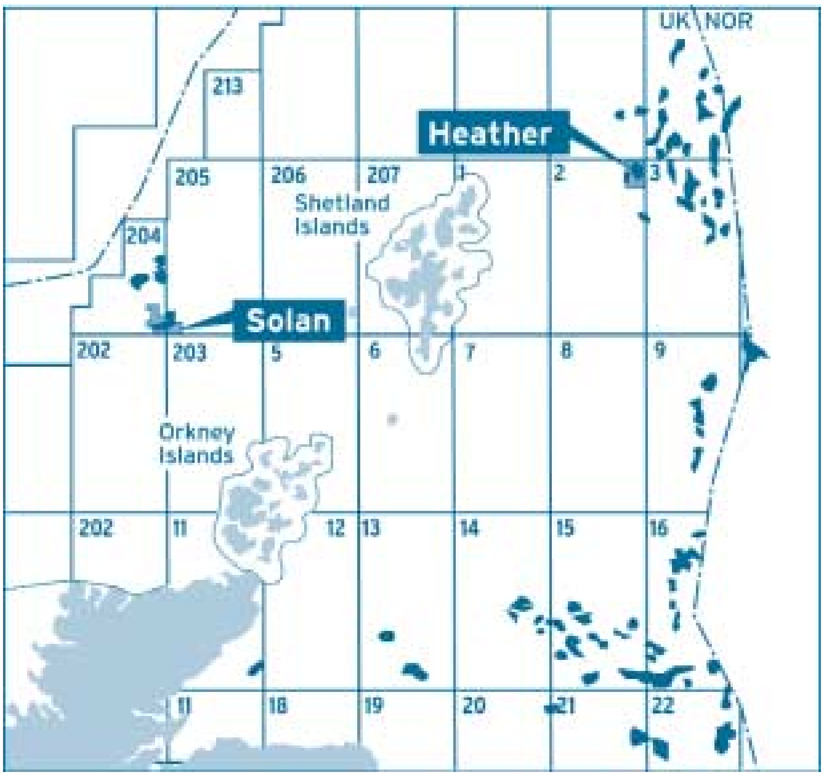
Resource evaluation of the main field and satellites began as soon as the company took over the operatorship in 1997. New seismic data collected in the same year formed the basis of DNO's studies. In addition, DNO cut costs by approximately 25 per cent, which made the company well prepared for the low oil prices in 1998 – 1999. Measures were initiated in 2000 to increase production from Heather again, and by the end of 2001, production was about 5 500 barrels of oil per day.

West Heather

In addition to the Heather field, DNO's licences in blocks 2/4 and 2/5 include two oil discoveries located within a radius of 7-8 kilometres from the production platform.

In October, 2001, DNO completed a new well in the West Heather area, increasing its estimated resources by approximately 10 million barrels. Total oil reserves in the Heather area are now estimated to 60 million barrels.

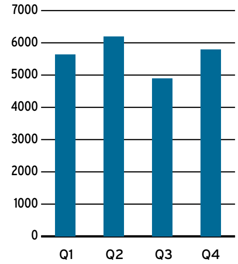
The development of the Heather satellites will be phased, with production being tied up with the main platform through a 7 -8 kilometer long pipeline. In order to accelerate the development of the Heather satellite, DNO is seeking a partner in the licence.



Outlook

Development of the Heather satellites will facilitate oil production from the Heather platform until 2012 or beyond, and secure long-term activities for the company in the UK sector.

DNO will also evaluate other prospects in which the company may utilise the competence and experience gained through its development and operation of the Heather area.



Quarterly production 2001

DNO's activities in Yem

DNO strengthened its position in Yemen in 2001. Production at the DNO-operated Tasour field continued throughout the year, and towards the end of the year, production also started from the Sharyoof field. In addition, DNO was awarded its second operatorship.

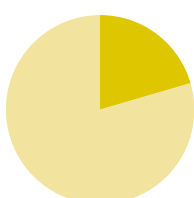
The activities of DNO International are primarily focused on Yemen, but other countries in the Middle East are continuously being evaluated. DNO's share of oil production in Yemen in 2001 was approximately 3 380 barrels per day.

Licence activities

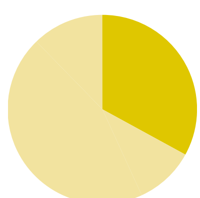
The Tasour field (Block 32)

The Tasour field came onstream towards the end of November 2000. It is DNO's first field development as operator, and has provided the company with very valuable experience and expertise.

During 2001, two additional wells were drilled to enhance the Tasour field´s performance, and production has exceeded expectations. Geological prospects have been identified associated with the Tasour field, representing additional resource potential. Drilling in one of these structures began towards the end of the year, but no commercially recoverable oil was discovered. Future oil discoveries can be produced using the existing



Revenues (21% of total DNO)



EBITDA (30% of total DNO)

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infrastructure at low additional investment costs.

The Sharyoof field (Block 53)

The Sharyoof field was discovered in 2000, and the development of the field continued throughout 2001. Production from two wells started according to schedule at the end of the year and is so far progressing according to plan.

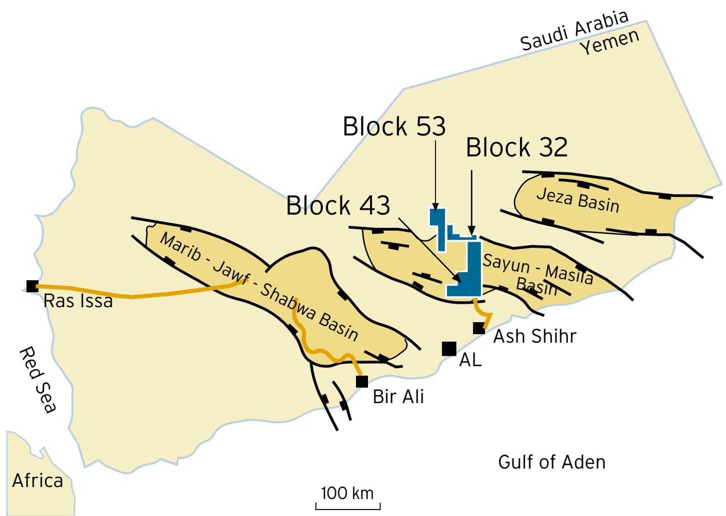
More wells are planned to be drilled in 2002, to increase total production from the field during the year to 25 000 barrels of oil per day, with DNO's share exceeding 7 000 barrels per day.

Geological structures with hydrocarbon potential have also been identified near the Sharyoof field, which may add to the resources in the Sharyoof area.

The development concept used for Sharyoof is the same as was applied for the Tasour field. DNO has utilised its experience from Tasour in the development of Sharyoof, and expects to be able to capitalise on this expertise and experience in the future.

Block 43

In September 2001, DNO acquired a 75 per cent interest in block 43, including the operatorship of the block. Block 43 is attractive as it is located in the same area as blocks 32/53 in Yemen's most productive petroleum province with an average daily oil production of over 230 000 barrels.

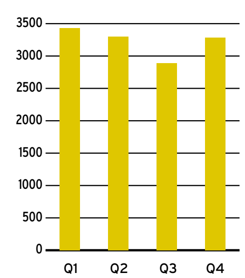


DNO is involved in three separate blocks in Yemen:
- Tasour field in Block 32; operatorship and a 41 per cent interest
- Sharyoof field in Block 53; a 24.45 per cent interest
- Block 43; operatorship and a 75 per cent interest

Outlook

So far, DNO's activities in Yemen have been successful, both operationally and financially. All three licences contain a potential for additional resources and production.

DNO will utilise the group's general competence and experience, and particularly its experience and expertise from Yemen, to evaluate new projects in Yemen and in the Middle East.



Quarterly production 2001

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Burson-Marsteller a|s Photo: CF Wesenberg Illustration: Helge Stiland Production: Network Produksjon